Association for Diplomatic Studies and Training Foreign Affairs Oral History Project

TERRELL (TERRY) E. ARNOLD

Interviewed by: Charles Stuart Kennedy

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Q: This is an interview with Terrell E. Arnold. This is being done on behalf of the Association for Diplomatic Studies and Training, and I'm Charles Stuart Kennedy. All right, let's have at it. Could you tell me when and where you were born and something about your family?

ARNOLD: I was born in Bluefield, West Virginia, in 1925. I was the middle son of a family of 11 kids. I came from families equally large. My mother's family was nine, and my father's family actually was 12. I was the absolute middle of the surviving nine - two children died in childbirth - a son of farmers who grew up in North Carolina, Ashe County, as a matter of fact, in that region. My great grandmother was full-blooded Cherokee of the eastern band of Cherokees. How she got into the family I have no way of knowing exactly, but the family was from there, right in the middle of the Cherokee Nation, and women were scarce. I suspect nature took its course. The family was on the reservation - at least seven families of the Arnold clan were on the reservation - in the 1838 Census of the Tribe.

Q: The Arnolds, where were they sort of from?

ARNOLD: Well, the family tradition is that the family was from England, but in the clan were some Dutch. My mother's line, Craven, was an offshoot of one of the old cabinet furniture-making families of England, and that tends to run in the skill path for the kids, so I would take it there's some merit in it. I spent my childhood up to age 17 in southern West Virginia, seldom even out of the state except on short visits down to Virginia and Tennessee.

Q: Could you tell us about West Virginia? Well, first let's talk about your mother and father. What were they doing and what were they like from your recollections?

ARNOLD: Neither one of them had much formal education. My father was a very mechanically inclined individual who could do virtually anything he set his mind to. My conclusion about him over time was that he had a fairly short attention span. He kind of liked to move and change and change things that he was doing, so his family moved about a lot. I think by the time I got out of grammar school I had been in fiveschools. My mother didn't have much formal education either, but she was an avid reader, especially of the Bible, and an excellent scholar in Biblical matters. She had an enormously capacious memory for both the scriptures and for offspring of offspring and all of that. You could count on her having a genealogical chart in her head, and that was true right up to the day she died at age 86. She had by count 68 grandchildren and great grandchildren at the time she died, and I have no idea how many others there are now. I can tell you that the family proliferates like rabbits.

I spent my childhood down there in those hills of southern West Virginia, the most remarkable period being in a little town called Fitzpatrick. Fitzpatrick was one of the old turn-of-the-century lumber-milling towns. It had stopped producing any lumber by the time we moved there in the Depression years, and the town as of now no longer exists at all. It's just a place with a sign that says Fitzpatrick as you cross the railroad track, and it's right outside the edge of the city of Beckley. I had some memorable and interesting formative years there. We had a two-room school, and I had one teacher for the better part of the four years of grammar school.

Q: How many, several, classes in one room?

ARNOLD: Four classes in each room, and the teacher, Mr. Fred Lilly, would rotate among us through the day, and we all had things to do when we were not up front. He used some of us as monitors and teachers and so on. He used me as a monitor in math, for example. It was one of his training tools. He was a grand man. He walked to and from school every day. And once in a while he would take one of us home with him for the weekend.

Q: How about family life at home? You were talking about ninkids. It must have been pretty rambunctious.

ARNOLD: One of the things it taught me was how not to listen if I chose not to, how not to hear in bedlam. I became an avid reader very early and read everything that was available. I had no boundaries. I read the Bible at least once before I was 15 and read everything else that came into our house.

Q: You moved to different towns. Were there little libraries there?

ARNOLD: I never used one of them, but, yes, there were. I used the school libraries a lot in the various schools that I attended. But I had an elder brother who was nine years older than I, who was hard at work when I entered the teens, and he started feeding me everything that he read, and his reading list was interesting. It was science fiction, adventure, science, all of the greats Astounding, Astonishing, Popular Science...

Q: Oh, yes, those wonderful paperbacks or magazine, pulp fiction,yes.

ARNOLD: The Shadow, etcetera.

Q: Great illustrations.

ARNOLD: Yes, especially in Popular Mechanics and Popular Science. My brother would bring them home in a boxful to me, and I would read them completely, every one of them. I was getting a very liberal education. I finally got to the end of grammar school in a location very near to Fitzpatrick, a little town called Mabscott, alongside Beckley, the County Seat of Raleigh County, and graduated from the eighth grade there - a full cap and gown ceremony, by the way. We moved at that point to Wyoming County in the middle of a coal-mining region.

Q: This is about what year?

ARNOLD: Well, you're looking at 1938-39.

Q: John L. Lewis country, was it?

ARNOLD: John L. Lewis country, right in the heart of it, and that has a bearing on my history. During a very tough time I started high school at that point, and things got tighter and tighter as time wore on there. We were approaching World War II, but we were not yet involved. I dropped out of high school in the 10th grade and went to work in one of the mines. I had two elder brothers who were working there. They were in good jobs and they could get me in easily, so I got in, and at the beginning of World War II I was making a horrendous income of about $40 a week, not bad, a dollar an hour for a teenager.

Q: In this where did your parents fit? This is the era of Roosevelt. Was Roosevelt a major figure and the New Deal, or was there sort of a mountain reserve about this?

ARNOLD: There were lots of political arguments in my house. You know, there was a great deal of rejection of Hoover. Hoover was not responsible for the Depression, but he got credit for it in the minds of a lot of people. Radio was enormously popular, and my dad was good at being sure that we always had a radio that worked, even if he had to virtually manufacture it, so we listened to a lot of radio and, yes, the family really liked FDR. He did initiate some good things that the family liked.

Q: Before you dropped out of high school, what were your subjects?

ARNOLD: I was taking a standard load except that I took typing. I was the only boy in a class of 30, and thanks to my English teacher, who convinced me that it was a skill I needed in the future, I took typing, and she was absolutely dead on. I'm an 80-word-a-minute typist now on the keyboard, but it was an odd situation to go into that class and be the only male. That lady was very influential, and so was her husband. He was my math teacher; she was my English teacher.

Q: What was her name?

ARNOLD: Barrett. She was Elizabeth. He was William Jennings. They came to that school as their first teaching job, and they died there in those mountains right above that little school.

Q: Did you feel while you were in that area that you were in a depressed area? As a kid it's easy not to understand what's happening around you because I assume everybody else was in the same boat.

ARNOLD: Everybody was pretty close to the same boat. Southern West Virginia probably was more evenly impoverished than many other areas of the country, but the coal mines were doing reasonably well in those days, and my elder brothers particularly were able to get jobs because they were very skilled people, they were very good mechanically. Therefore, we did have an income typically, some income. We ran a subsistence farm in addition and grew a lot of the foodstuffs that we needed. We cut some timber and sold posts to the mining companies around there for use underground as mine timbers. We managed, but it was touch and go. My mother was a marvelous household manager. She had the most gentle touch with her kids of anybody I know. She threatened a time or two to whip me if I would go get the switch, but beyond that I never had much in the way of punishment from either Mother or Father.

Q: When you were in a coal mining area, did you owe your soul to thcompany store?

ARNOLD: A lot of people did, no question about it. Even as remote as that area was, it was not all Anglo-Saxon WASP. There was a sizable Italian population, for example, barely speaking English but good underground workers. Mining was changing in those days. The old mines had been pick-and-shovel operations with occasional uses of dynamite to bring down the walls. The new mines were the mines that my brothers and I were associated with, and I eventually went into one of those jobs. Technologies were moving along pretty rapidly back there in those days. The mine that I worked in was one of the most modern in the region. It was completely mechanized. Everything was done by machine, the cutting, the loading, the movement, the sorting, the sifting and washing were all machine operations, and that was just a very different kind of process. With variations, that's the process that's now used.

Q: What were you doing? You were what, about 16 years old?

ARNOLD: That's right. I started out in the tipple. Hardly anybody will remember what that is, but the tipple is where the coal comes through for sorting, cleaning, grading, loading, and storage if it's not going to go immediately on a railcar. I was on a slate line picking slate with two fairly senior people along the line.

Q: You were taking slate out of the...

ARNOLD: Observing the coal as it flowed on a belt and taking thslate out of it and throwing the slate into a waste pan.

Q: What's the difference between that work and the old one that I have seen pictures of, breaker boys? I thought they kind of sorted out...

ARNOLD: We didn't have that function in our mines at that stage. At least, I don't recall it. But slate picking is probably pretty close. In the mechanized mine this is the first close encounter for humans with the actual product. Up to that point it's delivered mechanically and processed. A lot of the slate separation was hydraulic. They used a very fancy kind of mud (heavy medium) that circulated, that is surged upward and it created an updraft just exactly sufficient to take the coal up to the top and let the stones go down to the bottom - why not? We also used some centrifuge separation.

Q: Was there a big boss or big company that you were working for?

ARNOLD: Oh, yes, the Consolidated Coal Company, which was around until fairly recently as a matter of fact. It's not in that area anymore, I don't think.

Q: What was the outlook towards the coal company?

ARNOLD: The outlook for this company was very good. There were lots of mines that were quite marginal, over age, or undercapitalized, because they didn't have the equipment. But this one was leading edge. It was doing well and obviously going to do well, especially as we got into World War II, because it was capable of meeting the high-volume requirements for clean coal, a pretty good place. And all of that was visible to us, the people who worked there, because we knew the other mines around and we knew what kind of a place we were in.

Q: How was John L. Lewis?

ARNOLD: John L., as you indicated a little earlier, was in his heyday. He had a sizable, very active trade union in that mine. I graduated from slate picking to the mining machine shop as an apprentice electrician, and I did that for a few months before I enlisted in the Navy.

Q: That was only two years of high school?

ARNOLD: That's right.

Q: You enlisted when?

ARNOLD: Enlisted in November 1943.

Q: I can't remember when the great mine strike came during the war.

ARNOLD: There were spates and strikes, and they were mostly after the war, the ones that got real serious, and that's the part of the mining union history that had some bearing on my future. I went off to the Navy, to boot camp at Great Lakes, Illinois, did the regular stuff there for about three months. My test scores were very good on the Navy's testing program, so they sent me to the University of Chicago, a fascinating program on training equipment. This is where the manual skills came in.

Q: Could you talk about the program there?

ARNOLD: Well, the Navy early on was looking for ways to train without doing actual field operations. It still is, and the systems are much more advanced now than they used to be then. But the Navy used a lot of simulators. After all, you know, to move a battleship and fire 16-inch guns is very expensive, so any way you can get the aggregate training in how to do that without ever moving a ship or firing a gun is a step forward. That's what the Navy was looking for, and this program at the University of Chicago was a program to train trainers. We were using a number of simulators. We had a fighter simulator, for example, in which the pilot flew the airplane and the instructor flew the sky - neat piece of work. Some people got airsick from flying it.

Q: I mean before that there was this famous thing, their LinTrainer.

ARNOLD: The Link Trainer was one of our most advanced tools, technologically a beautiful piece of work. You wouldn't necessarily see that by looking at it, but all its motions were powered by a vacuum motor, a six-cylinder vacuum motor. All you needed to run it was a strong fan that exhausted a vacuum cell to supply that motor, and then you allowed air to flow through the cylinders to run the motor. All of the plane's motions were powered by this motor through various mechanical linkages.

Q: It was a covered cockpit so you could only see the instruments.

ARNOLD: That's right. It was totally blacked out for the pilot It was an instrument flight and radio navigation trainer. My group was trained on how to diagnose, how to maintain, and how to train with that tool among the others. We were given good basic courses in electronics, hydraulics, mechanics and optics so that we could deal with the ailments of all those tools.

Q: How did a boy from the hills of West Virginia find Chicago ithose days?

ARNOLD: I had a ball. Servicemen as a group are in love with Chicago, the ones who remember it. I got there in January of 1944, and the training program I was in was one that was very demanding. We worked pretty darn hard all the time in our training classes, and we were, except for Terry Arnold, relatively mature individuals. I was eighteen, and the youngest member of our class, because the others all came out of a V-12 officer training program that had been discontinued.

Q: I was going to say you must have been sort of the kid.

ARNOLD: Yes, but they gave us 24-hour freedom of access to the base and to the city seven days a week. We were free to go on liberty every night overnight.

Q: Was the Navy pier going on?

ARNOLD: We were first stationed at Navy Pier, and then we moved onto the campus of the University. A good move, because Navy Pier was drafty and cold. After we left the Pier, we had our classes in the Museum of Science and Industry.

Q: Oh, a wonderful museum.

ARNOLD: Oh my. When I was on guard duty at night, I would wander around and study both the active exhibits and the backroom collection of stuff not on display. We lived on the University campus in Sunny Gymnasium, which, we were told much later, had the unique history of having been the place where the first controlled nuclear reaction was achieved. There is now a plaque on the wall there, I am told.

Q: Did it glow at night?

ARNOLD: No, not to our knowledge anyway. We took our meals in Ida Noyes Hall, which is the famous library of the University of Chicago, and we lived and worked in the west wing of the museum. I got out of that with a promotion to petty officer third class.

Q: What sort of a rating, mechanic's rating?

ARNOLD: Special devices, aviation training devices. They sent me to Brunswick, Georgia, to run a training school, but let's talk about Chicago.

Q: Yes, please.

ARNOLD: Chicago had two major United Service Organization (USO) clubs. One was on Michigan Boulevard in a building that is now Roosevelt College. It was just down the boulevard from Orchestra Hall and within walking distance of museums.

Q: Oh, yes.

ARNOLD: The other was on Washington Boulevard. They both had the same basic philosophy of taking the best care of servicemen, and the City of Chicago had the same philosophy: Anything servicemen wanted, they had. All theaters were free except for one. There was an ongoing performance of 'Oklahoma' that they never gave out any tickets for. But anything I wanted to see at Orchestra Hall I could go there to see for free. There was always food and at least three cafeterias in that Roosevelt College building, along with two dance halls and tickets to anything that was happening. They provided free transportation on the elevated and buses, so that I could go ashore at night after a day of training with a dime in my pocket, have a very fine evening, go to a concert, have a meal, dance with hostesses, have a late supper, and come back to the base with my dime still in my pocket. Servicemen who were there on assignment or who passed through the city remember Chicago very fondly.

Q: I was born in Chicago, moved out early on, but it took its culture seriously and it always has. Did this sort of waken things for you?

ARNOLD: Chicago and the Navy training experience were tremendous launching pads, because, you see, the whole world was open. People didn't have any idea how ignorant I was, so they opened the doors and I went through them.

Q: Keep your mouth shut and your eyes wide open.

ARNOLD: And go for it. So as a third class petty officer the Navy sent me to Brunswick, Georgia, to a place called Glencoe. Glencoe is still in operation now, but it's an INS and Customs Service operation. We had at that time a squadron of Douglas SBD Dauntless dive-bombers and a squadron of K-type airships, three of them.

Q: These are dirigibles - not dirigibles but lighter than air.

ARNOLD: Helium LTA, yes. The middle class was K. There was a little one called an L class and a larger one, an M class, but the K was the most versatile. It was an anti-submarine patrol vessel.

Q: They were used with great effect, weren't they?

ARNOLD: They were, because you could go stationary above the water and you could look down into the water and see a submarine. They didn't have much armament. They had one 500-pound depth charge and a Browning automatic rifle on a swivel mount, so you didn't want any close encounters.

Q: It's over there, fellas.

ARNOLD: Hopefully way over there. I ran the ground school for both the dive bomber pilots and the blimp crews until the end of the war in Europe.

Q: I'm just curious. Was the submarine warfare off the coast prettwell over, or was it continued up to the end of the war.

ARNOLD: Well, it continued up certainly to within three or four months of the end of the war in Europe, but it was obvious to us that the threat was diminishing. We were running our patrols regularly, and we ran those airships out there for 10/12 hours at a time without seeing anything other than surface ships and seagulls. Crews would go out with their food on board and just hang out there and cruise the region. We were running those ships from Lakehurst, New Jersey; Elizabeth City, North Carolina; Tallahassee, Florida; Glencoe, Georgia; and Curaï¿½ao in the Netherlands East Indies. So we had them distributed throughout the region. They were not hard to maintain. They were a bit tricky to care for on the ground because they were always just on the verge of fluttering away.

Q: Would you have to put them inside of these closet-type hangars?

ARNOLD: We had two of those hangars at Glencoe, and there are two of them still at Moffett Field in California. There are a number of other places.

Q: Lakehurst used to have them.

ARNOLD: Lakehurst had them too. In any heavy weather we couldn't leave the blimps outside. We could leave them tethered to the mast outside in calm weather, but anything significant we wouldn't dare, because they are maintained at a fairly close balance. That's the way we could move them around, as you may recall, on a single wheel.

Q: How about helium?

ARNOLD: Helium is very safe. Q: Was this a difficult thing to deal with?

ARNOLD:No, no.

Q: It's inert essentially, isn't it?

ARNOLD: It's inert and therefore easily and safely storable under pressure. You could carry cylinders of it on board to change your flotation as you needed to. That part of it was very easy. We lost only one of our ships in the whole war at that location, because of a fueling accident. It burned inside the hangar, and to give you some idea of the size of those hangars, it did not burn the hangar.

Q: As a kid I went in and saw, I guess it was, the graf zeppelin.It was called the Los Angeles or something.

ARNOLD: It was a dirigible

Q: At Lakehurst. This was about 1938.

ARNOLD: That was among the last of the rigid airships. Aviation history might have been different if the dirigibles had been filled with helium.

Q: I mean the Hindenburg.

ARNOLD: Hindenburg, yes. If the Hindenburg and/or the others had been helium filled, aviation history might have taken a different course. Who knows? However, they were still pretty bulky and hard to maneuver, as well as limited in passenger space for their size.

Q: The Akron and one other, I can't think of the name. We lost couple in storms.

ARNOLD: That's right. One, as I recall, was called the Shenandoah. The hydrogen was just so volatile. That was the end of that story. We may come back to it. We still have the blimps for advertising, and they are becoming more popular for outdoor events.

Q: Well, what were you doing with them? You were running a school.

ARNOLD: I was running a ground school, and I had a crew of four people working for me, all of whom were older than I. One was a former chief of police of Shreveport, a town in Louisiana. The other was one of his police officers, and how they got together there is beyond me. They were gunnery instructors, which is fine. I had two Waves working for me.

Q: These are women, Navy people.

ARNOLD: Yes, and they were my flight instructors. They were very good. They could run two classes at a time, and I had two Link Trainers to manage that with. So they ran all the flight crews through their training program pretty steadily through the time I was there. This program went on up until VE Day. Shortly after that I headed west.

Q: You were out of the service then?

ARNOLD: No, I was still in the Navy. I was on my way to Hawaii and, so far as I knew, the war with Japan. However, I was on a train between Chicago and San Francisco when the atom bomb fell on Hiroshima, and things tended to unravel pretty rapidly after that.

Q: While you were in the service, were you thinking of bigger anbetter things?

ARNOLD: I was having a good time thinking about that. I didn't exactly know how to go about it, but by the time I got to Hawaii I had some fairly definite plans and the war was winding down. I took my discharge from the Navy in June 1946, and took the job I occupied in the Navy as a civilian. When I got out of the Navy, I made application - you know, nothing ventured, nothing gained-to enter the University of Hawaii as a freshman. That didn't come about for a variety of reasons. I got a job with American President Lines that took me to China for only a three-month round trip, and then I ended up back in West Virginia in the coal mines.

Q: Let's talk a little about what Hawaii was like right after thwar.

ARNOLD: Well, it was very heavily militarized, of course, because we had military installations on all sides of the island. Tourism had virtually died through the war, so that the developed beaches like Waikiki were not very heavily utilized. One of the most beautiful properties along that beach was an R&R site for military, Fort DeRussi. I don't know whether you know about that.

Q: I know Fort DeRussi, yes. Royal Hawaiian was submarines, think, wasn't it?

ARNOLD: Royal Hawaiian was close by there, essentially officers' country. In fact when I got out of the Navy and had to find a place to live, I went searching for a room to rent, and I found a lady who ran a photography shop who had a house just across the street from the house without a key, the Halikalani, that marvelous wooden hotel, beautiful piece of work next to the Royal Hawaiian. It's still there. So that's where I was when my opportunity to go to China came along.

Q: What were you doing? What ship did you go on, and what were yodoing?

ARNOLD: Well, it was not exactly a ship - and here again, nothing ventured, nothing gained. The landlady brought home a customer who was the first mate on a fishing boat, a 65-footer named the MV Hustler. It was a trawler out of the Seattle fishing fleet. It was one of a dozen fishing vessels that United Nations Relief and Rehabilitation (UNRRA) was sending to the Chinese government to modernize their fishing operations. Our task was simply to deliver fishing boats. The first mate of this vessel came to the house a few evenings later, and he said, "How would you like to go to China?" I said, "How?" He replied, "Well, how about becoming a quartermaster on my fishing boat and helping me take this thing to China?" I said, "Well, I don't have any credentials." He said, "We'll get you a Z card." That was a merchant seaman's registration card. As an ex Navy man, he said, getting the card to become a quartermaster in the Merchant Marine, would not be hard to do at that time, and he and the crew would train me. So I took the job, and I stood seven-hour watches (four hours by day and three hours by night) every 24 hours steering that vessel to China. We did get there, and I did not make any significant mistakes.

Q: You didn't run into a typhoon or anything like that?

ARNOLD: Well, we came close. In the early part of the trip, we knew we had to be careful, because our total hold (below decks storage) capacity was only about 32 tons. We had a single 9-knots-per-hour, 135-horse-power diesel engine on board, and that meant we had to pay attention to where we were and where we were going next. In short, we had to cross the Pacific in carefully measured intervals between ports. So we were island hopping. We went from Honolulu to Johnson Island in the Hawaiian chain to Wake, then to Guam in the Marianas, then through the San Bernardino Strait to Luzon in the Philippines. From Luzon we sailed to within sight of the China coast and then we sailed through the Formosa Strait (between the mainland and Taiwan) to the entrance to the Yangtze River. On our trip to Johnson, members of our group did indeed run into the edges of a typhoon, and they got scattered all over the region. So it took us a while to get our fleet back together.

Q: You went with a group? I mean there were other fishermen.

ARNOLD: We went as a group of 12 vessels, and we were always ifairly close touch with each other.

Q: When you got to China, what year was it?

ARNOLD: This was 1946, August.

Q: Well, the civil war was far way away at that point, wasn't it?

ARNOLD: Well, yes and no. It was visible to me and visible to others in the group, the ones of us who tried to figure out what was going on in the delta of China. Shanghai was a fascinating place. It still had all of the traditional properties of an international settlement. It had the French, the British, and the Russian quarter, and all of that. We all became fairly acquainted with that international settlement. But China just outside the fringes of the international settlement was probably the way it had been for ages. I wrote a paper about Shanghai in which I said that "the beauty of Shanghai was only skin deep." Outside the International Settlement, the people lived very close to the bottom of the human condition. We would go out and about just looking to see what was out there around the city, take some of the fairly primitive roads out of the city to various locations for a picnic or things like that. And we found where the boundaries of the insurrection were. On a couple of different junkets we ran into armed and in one case very skittish troops not far outside the city. So things were beginning to happen even though the changeover did not occur until '48.

Q: Did you have any feel for how well the Chinese absorbed thesfishing vessels and all?

ARNOLD: I had a great deal of feel for it and a good deal of interest in it. Along the coast as we were going in, especially after we left the port of Batangas in Luzon, we moved into the China Sea and went along the coast from Amoy northward through the Formosa Strait in order to get to the Yangtze. We saw a lot of traditional fishing along that shoreline because we were running in sight of the mainland from the time we approached Amoy, and we would see the traditional mother ships out there with individual fishermen on bamboo rafts marking the locations of their nets. That's how they did it. That's how they had done it for centuries probably. That's how they lived. They could do that without any significant capital at a time when money was scarce. We represented a quantum jump for them to diesel-powered, higher speed, refrigerated, much more capable kind of fishing. But the changeover was going to take a while. When China changed governments, Chiang Kai-shek took almost everything of artistic interest he could find that wasn't nailed down and moved it to Taipei. You can see those incredible spoils in the museum at Taipei.

But on your question of what happened to the fishing boats, in 1948 there was a picture on the cover of Life magazine. The picture was of Point Island, a port area in the edge of Shanghai where we had tied up all of our boats in line when we arrived. So far as I could tell, they were still in the same order. They apparently had not been moved in those two years. I have no idea what happened to them afterward. I was listening to a talk show on National Public Radio here about five years ago, and there was a commentator there on one of the afternoon programs who had just been to Shanghai and had been doing research on the immediate post-war period. I called in and asked him if he had any idea what had happened to that fleet of fishing boats, but he didn't. I take it that means they're not still tied up in the dock. But Shanghai has changed so radically that all of that has been developed, that whole region including the international settlement.

Q: Did this adventure whet any interest of yours?

ARNOLD: Well, it whetted interest. I was still looking for ways to get into college, and one of the things we might have done was to build the great dam on the Yangtze that is still the subject of active debate. It was a very live discussion before Chiang Kai-shek retreated. Our boat crews had in mind that we would work on that dam in some capacity at the high wages that they would pay foreign workers to run the equipment. In my case, I hoped to accumulate a treasury that would enable me to get back to the States and get into school. In a few weeks there, however, it became clear that construction of the dam was not going to happen, at least that was the way we read the political scene.

Q: Not too long ago I finished interviewing Harlan Cleveland, who as quite a young man was in charge of a program in China. How did you get back?

ARNOLD: Well, you see, my commission as it were included repatriation, repatriation with full pay, so I came back on a troop ship called The General Meigs. American President Lines paid me off, put me ashore in San Francisco, and paid for my way home to West Virginia. So I ended up back in the hills.

Q: Was there a yearning for the hills? I would have thought after Chicago and Honolulu and Shanghai that West Virginia just wouldn't have any appeal at all.

ARNOLD: Well, there was not a yearning in the narrow sense that you define it. I still have a yearning for those hills. I love them dearly, but what I was doing was pacing my way through a process of finding where I was going to go from there. I went back into the mine for a while in the machine shop, and at this point John L. Lewis and his troops intervened in my life in a way that was permanently life changing. Mid 1946 was a pretty volatile labor time, and the unions were quite unstable in that region. I went to work one morning at my shop, and there was a group of workmen standing outside nattering at each other, and one of them said, "You know, I'm really fed up with this. I'm going to go home," and he threw the water out of his dinner pail. You don't know how significant that is. He carried a dinner bucket about so tall.

Q: You're talking about something about 18 inches high maybe?

ARNOLD: Yes, the bottom third of the dinner pail contained water as a rule, because you took the water with you underground, and if you didn't take it with you, you would be very thirsty when you came out. These guys all went home, and I thought, well, if we're on strike, I will go off and look for a college. So I asked myself, where do you start? I was very interested in the Northeast, so I went to New York City, took the subway out to the campus of Columbia University, called on the Director of Admissions, and asked his advice. He was very nice, didn't lose his temper or lose his cool when I told him I was a high school dropout, recently discharged Navy veteran. He said, "You know, we can't handle you here, but there are three new campuses just opened that probably can handle you." This was the beginning of the State University of New York, SUNY, and those three campuses were Mohawk, Sampson, and Champlain, Champlain was in the former Army town of Plattsburg, New York, across the lake from Burlington, Vermont. In light of that advice, I decided, well, the strike is still on and I've got money enough in my pocket, so I headed for Plattsburg.

Q: You had the GI Bill, too?

ARNOLD: I had the GI Bill, but my first question was how was I gointo get in, not whether or not I could afford to stay.

Q: Had you done anything to make up for that two years of higschool?

ARNOLD: Actually the State of West Virginia just gave me a diploma for surviving the war, I think is what it amounted to. But I went to Champlain, walked onto the campus - it's a gorgeous little spot there along the lake - and I ran into a lady who was the registrar for Champlain College. This lady was Marguerite Van Bree, who is presently 96 and one of my dearest friends. I told her my story, and she said, "Well, I'll tell you what I'll do. You come back here in the summer of '47 and take a regular summer program, and if your grades are good, I will admit you as a freshman in the fall. Then you take the New York State Board of Regents exam. If you pass that, you're home free." So I did all of that and entered as a freshman in the fall.

Q: Were you beginning to sort of, you know, read War and Peace?

ARNOLD: I had read most of that stuff by the time I got there. still have the library that I read while I was in the Navy.

Q: In the Navy you were using the libraries on the bases?

ARNOLD: Yes, and I also joined an organization called Black's Reader Service, which no longer exists. In those days they would send you a book a month - not the Book of the Month Club, which was also popular in those times - but they sent you classics, so I had about 50. And one of the interesting things about my locker was the top shelf was full of classics. When I opened it for inspection, it always got a startled look out of the inspecting officer. But with all that under my belt, plus Navy service, the regent's exam was no big deal. I attended Champlain for two years and received a two-year certificate.

Q: Any particular subject or subjects?

ARNOLD: General education, I was taking a bit of English, a bit of economics, a bit of history. I was doing an awful lot of debates. I was the co-caption of the debate team for the school and did well in national competition. It was kind of fun. I thought I would give a try at law school, and under the rules of the game in New York, if you did well in your first two years of undergraduate study, you could begin law school immediately, take an exam and go in. I took the exam and entered law school at Union University.

Q: Which university?

ARNOLD: Union.

Q: Union.

ARNOLD: Union has a law school in the city of Albany, Albany Law, a relatively small one. I finished the first year there in the upper quarter of my class.

Q: You said you were needed for training.

ARNOLD: For the Korean War.

Q: Was this 1950, '51?

ARNOLD: 1950, it was around June 25, 1950 that the North Koreans came across the DMZ. I was called back within a matter of weeks, in fact before the beginning of the fall semester.

Q: Had you kept in Reserves?

ARNOLD: I had been an active Reservist through that period. That was one of the ways I got some training time, and I went to the Navy and said, "You know, guys, I'm deeply into law school and would like to hang around here," and they said, "We will defer you for six months." So I got to the middle of law school and then had to go back into the Navy.

Q: So you went back in 1951, I guess.

ARNOLD: I was back in the Navy in February of '51.

Q: What were they doing with you?

ARNOLD: They sent me to San Diego as a trainer, and I ran a training school at the Destroyer Base, San Diego for a while. They made me a first class petty officer, so I could carry my weight, sent me back to school and gave me updated training in all the things that I had found so fascinating in Chicago. I stayed in the service until June of '52 and got out.

Q: Was the service different? As a first class petty officer guess it gave you a certain amount of clout, status, and all that.

ARNOLD: It gave me a certain amount of freedom too. I could live ashore if I wanted to, and as matter of fact, I got married while I was there, and I did live ashore.

Q: Where'd you meet your wife?

ARNOLD: I met her in San Diego.

Q: How was San Diego at that time?

ARNOLD: Nice town, one of the most pleasant cities in California at the time. It's changed a lot in the meantime. My wife and I just went down there last fall for a wedding and revisited some of the places that we knew so well. It's not nearly as congenial a place as it used to be.

Q: Here you are ripped untimely from the womb of the law. Was lastill attracting you?

ARNOLD: Yes, but I always wanted to be an instructor, and once I got interested in law, I did not want to be a practicing attorney. I wanted to teach it. So I decided, well, I'm out here and the Navy keeps sending me to California. Where do I want to go to school? I really wanted to graduate from Stanford at some time, so I wrote to the Director of Admissions at Stanford and told him what the story was and what I would like to do. Stanford came back immediately and said, "When you're finished with the Navy, come." So I did.

Q: When you went to Stanford, this had been what, '52? Where weryou going? Stanford has a law school, it has...

ARNOLD: Well, I was initially slated into the law school, and I sat down and had an interview with the Dean of the Law School, and he said, "You know, you've been out of this for some time" - actually I had been out about 15 months, 18 months - "and we think you ought to start over." What he was really saying was: Look, Union University Law School has no standing with Stanford. Well, I was too committed in other areas to want to go back to Albany and re-enter Albany Law School, so I went to Stanford as an undergraduate in English and history, graduated within one year and left Stanford.

Q: Despite the fact people were coming out of the Korean War, did you find as an undergraduate you were a little bit older than most of the students? Was it pretty much actual peacetime basis by that time?

ARNOLD: Well, it was. The difference between Stanford and SUNY: the first three campuses of SUNY were virtually all ex-GI, I mean like 95 percent, and those schools were designed and built to serve us. The teachers and the students were in the same age bracket pretty much, and we all had a fair amount of experience.

Q: There was an attitude of getting on with it too.

ARNOLD: Yes, there really was, and the academic performance of that crowd was of pretty high order. You had to race along to keep up, which was fine for me. I needed to add orderly disciplines to my training, because I had had a lot of training by then but it was not very well structured. Those first two years were rebuild time, focus time. Stanford was a different situation. I knew what I could do. I had successfully gone through three and a half years of serious academic work and done quite well at it, so I was not concerned about surviving Stanford academically. I needed to know what I wanted to do at the end of it, and decided to become a teacher, earned a General Secondary Teaching Credential (that is a masters program) at nearby San Jose State College, which is now San Jose State University, and then taught high school in California.

Q: Where did you teach high school?

ARNOLD: In the middle of the coastal side of Oakland, California, high school named Fremont (named after John C. Fremont).

Q: This is pretty much industrial?

ARNOLD: It's mixed. The zone was interesting because it included first families from along the upper slopes of that mountain and current generation Latinos from all over the coast, and almost everything else. Not a heavy black population in that school, but there was a school not too far away that was almost entirely black.

Q: What were you teaching?

ARNOLD: English principally and public speaking.

Q: In talking about the student body, I would have thought you would have found a tremendous split between the people on top of the hill and the Latinos down at the bottom.

ARNOLD: Quite a distance but not necessarily very uniform. I found the best example of this problem to be my students in public speaking. I had a small group of seniors, 12 to 15 in that class, and they came from all over the social universe. They were interested in different features of it. They found it more exciting than ordinary English, and they tended to meld around the kinds of things we did in that coursework. My basic English courses were much rougher than that, because I had two diverse sets of backgrounds to bring all together in the same space. This was tenth grade English and large classes of 40 to 45, so it was hard going. My sanity was maintained in the speech class and in coaching the debate teams.

Q: How did you find discipline at that time?

ARNOLD: Discipline pretty weak, mostly weak, especially in my larger classes. I had a good eye and spiritual contact with my speech students, so it was not a problem there, but, boy, in the larger classes it was a nightmare sometimes.

Q: What about school administration? Was there a heavy hand or not?

ARNOLD: They treated me far more liberally than I think I had any real reason to expect as a brand new teacher. They tended to give me my head. They let me, for example, run a regional speech tournament in that school, something they had never done before. They, as a leadership, were open to this kind of experimentation. There were one or two teachers who were a little hardheaded and reactionary about some of the things that I taught, like comparative religion, but I used it as a stimulator in speech class. That was all very exciting actually.

Q: You did this when?

ARNOLD: I did that school years '54-'55, '55-'56. There were twyears at that school.

Q: How did this work as far as 'yes, I want to be a teacher for threst of my life'?

ARNOLD: Well, what it convinced me was that I either needed to movup or move out.

Q: When you say move up...

ARNOLD: Move up to a higher level of teaching with a more mature student body or move out of teaching. So I went back and got another degree.

Q: Where, at Stanford?

ARNOLD: At San Jose. I did that one with a dual major in Political Science and Economics. I had a nice curriculum there, with the lead subjects being economics and political science, but all the rest of it in good solid humanities subjects, except for a course in Marine Biology.

Q: In all this time were you sort of keeping an eye on the world ait was going around you?

ARNOLD: That's why I was such an avid debater and was one of the leading debaters at Stanford and at San Jose. In those days Stanford had an annual, highly competitive debate event called the Medaille Joffre, sponsored by the French Embassy. I made the team but lost the debate. In that period, I was also one of the better-known teachers in the area promoting debate on the leading issues.

Q: McCarthy and McCarthyism during part of this time was stilaround. Did this affect you at all?

ARNOLD: Personally not really. It affected what people were prepared to talk about obviously, but I didn't find that it inhibited me in what I wanted to say and to whom I wanted to say it.

Q: Were you watching what was happening within government? Was thia concern?

ARNOLD: Well, I was doing my master's thesis, for example, on the Jordan River Valley and doing studies on that subject at the Hoover Library at Stanford. I was well into that when the '56 war occurred. It was over fairly quickly.

Q: It was called the Suez Crisis.

ARNOLD: Yes. I finished a thesis on the Jordan Valley and used it mainly as a tool to learn something about the area. By the time I got finished what that thesis, I was pretty well current on a lot of the regional issues in that part of the world. In the meantime I had also been studying such things as labor, and I met a teacher teaching the labor course who had just taken the Foreign Service exam. He and I became well acquainted, and he asked me: "why not the Foreign Service if you're looking to move up and out." I thought, well, why not, except that he said, you know, 10,000 people take the exam and 200 get into the Service. So there you are. I decided, well heck, and I took the exam and passed the written, and within about six months was given the oral and was brought in.

Q: Now, do you recall the oral exam, any of the questions?

ARNOLD: I recall the chief examiner pretty well. His name was Clint Olson, Ambassador Clinton Olson.

Q: I interviewed him, and he was an excellent officer.

ARNOLD: Yes, I agree. He was an excellent mentor for me for quite some time after I came into the Service. During the oral exam, he was interested in atmospherics. He wanted to know where I was coming from on a lot of stuff. He said to me at the end of the oral exam, "You know, you have a tendency to bluff, but I like you, so we're going to bring you in."

Q: Did you feel he called it correctly?

ARNOLD: I didn't feel he was off base. I liked him very much.

Q: He's a very nice man. I think his wife's name is Hoover.

ARNOLD: Yes, I think that's right. So my wife and I came tWashington in October of '57.

Q: What did your wife think about this?

ARNOLD: My wife and I have always had a very special kind of relationship, and that's been going on for nigh onto 49 years at this stage. We spend our time bolstering each other rather than arguing with each other. We seldom have an argument, never had a significant one. She was going to be very supportive. She worked all through the years up until we went to Cairo.

Q: What was her background?

ARNOLD: Well, she was born in southern Wisconsin in the little town of Janesville, a town that's famous only, I think, for the Parker Pen Company.

Q: That was a name.

ARNOLD: She grew up around Madison and central Wisconsin in a little paper mill town called Nekoosa (makers of Nekoosa Bond paper). By way of Southgate, near Los Angeles, in the migrations of families looking for work she ended up in Portland, Oregon, and graduated from high school in Portland. Went off looking for work and found a job first there in Portland. She decided she needed to get away from home - had a generally domineering mother - and went off with a friend to San Diego, California. There she found a job in the Highways Department of California, and that's where I found her.

Q: So you came into the Foreign Service in...

ARNOLD: October '57.

Q: ...'57, went into a basic officer course.

ARNOLD: That's right.

Q: You must have been sort of the old man by this time.

ARNOLD: You're right, at that time you couldn't come in beyond age 32, so I came in one month, six weeks actually, short of my 32nd birthday.

Q: What was this basic officer course like?

ARNOLD: It was pretty broad, pretty general stuff, but we had some very good speakers from time to time. I think they gave us a good start, an overall introduction.

Q: What was your impression of your fellow junior officers?

ARNOLD: They were a pretty mixed lot. One of the bright stars was a young lad named Ray Ewing, the baby of our class at 23; another one was Bob Duemling and another Ed Peck.

Q: Was Ed brash then?

ARNOLD: Oh very. He never has changed much actually.

Q: I saw him just the other day. Did you know what you wanted to do?

ARNOLD: I wanted to focus in the economic areas of the Department. I had made up my mind that in the Foreign Service that was a reasonable area of career and in fact that proved to be quite successful for me. After all, I was promoted from FSO-8 in 1957 to FSO-2 in 1969. They were treating me very well.

Q: What was your first job?

ARNOLD: My first job was as an economic analyst in INR on LatiAmerican affairs.

Q: You were there in '58-'59.

ARNOLD: We were doing a job that was a darn good educator. I'm sorry it's not still around. We could use it for a variety of reasons. The job was a joint venture between INR and CIA called the National Intelligence Survey. That's as distinct from the National Intelligence Estimates. The estimates were all short term. The survey was long-term basic analytical. We were doing the groundwork in assessing and understanding major economies, and my assignment was Mexico. I spent pretty much the whole assignment writing the economic chapters of the NIS on Mexico.

Q: This is '58-'59.

ARNOLD: That's right.

Q: What was your impression of Mexican economy at that time?

ARNOLD: Very dynamic, still fairly primitive, still very much caught in the first families but with some promising areas. One of the more interesting developmental things was the development bank called Nacional Financiera, which interesting to me because, among the Latin American countries, it was probably the most advanced developmental banking concept in the region. I was intrigued by that. There was enough going on in the Mexican economy to make it sectorally interesting too for someone like me, so I could really learn how to do sectoral analysis.

Q: When you say sectorial analysis, you're talking about petroleum,cultural, this sort of thing?

ARNOLD: Economic sectors, transportation, etcetera.

Q: Did you feel they were making the proper judgments oinfrastructure, roads, railroads, that sort of thing?

ARNOLD: I think that assumes more sense of direction and order than actually existed. They were moving in all of those directions, not really as fast as they might have had they had a clear-cut sense of direction, but there was genuine activity going on there. They were accumulating capital; basically that's what they were doing.

Q: What was your impression of how the Mexican government, which wathen and now...

ARNOLD: Then and now the PRI; the Partido Revolutionario Institutional. An institutional revolution that was very stable in the early fifties, very traditional, and only recently successfully challenged. You could say, well, it's a democratic government; yes, sort of. I've long been taken by the French term for this kind of a democracy, the 'democracie tropical' meaning that special version that seems to work in those places, because it manages to substitute for any real democratic process. And Mexico managed to do that for quite some time up until maybe now.

Q: What were you gathering were our interests in Mexico?

ARNOLD: Oil, people, banking, labor issues - these were all visible issues in the landscape at the time - economic operating system, which way the Mexicans were going to go in, if I may put it that way, the global selection among economic types. We were very interested in how well the Mexican system did, because that greatly affected pressure on our border. We were also interested in whether they were going to go toward the Eastern Block or toward us. Actually, had we looked real closely, we would have seen that some of the habits of that system were so embedded the Russians couldn't have shaken them.

Q: But it was a concern at that time?

ARNOLD: It was an issue.

Q: Did you have any feeling for the services that INR was performing at that point?

ARNOLD: Yes, I did. I felt that INR had a really solid role especially in spot analysis on immediately fast-breaking things like Cuba, for example. The group of people who did that actually was a pretty small cluster if you think about it. For the Latin American region we all knew each other very well, and it was an interesting cluster of people. Libby Hyman was our immediate boss. One of the people who went through there was Doug Hecht; another was Larry Eagleburger.

Q: I remember I was in INR doing the heart of Africa, and Larry was the ARA person. Somebody had to go over there at five in the morning and read the cable traffic and other reports.

ARNOLD: I did that, too. I did that, and I had the distinct pleasure, or whatever you call it, of sending up the message that Fidel Castro had started his move out of Oriente Province, meaning that the fall of Batista was pretty well over. I remember that quite vividly. That was in December '59 plus or minus.

Q: And what ever happened to Fidel Castro?

ARNOLD: I have no idea. He had a dream, and he must still have ibecause he hasn't done anything with it.

Q: Did you work with the desk at all?

ARNOLD: I worked with everybody, meaning I found one of the ways to operate, and especially when Libby gave me another assignment, on top of Mexico, to do 20-country labor analysis in support of regional labor policy. The regional Labor guru was Ben Stephansky. I found that the fastest way to figure out what's going on is to talk to people who are tracking it on a regular basis. You know, I'm still very fond of the desk officer system. It works, and if it isn't working in a specific case, then change desk officers because the basic concept is valid.

Q: Did you have any contact with CIA?

ARNOLD: A lot.

Q: What was your impression of their analyses?

ARNOLD: It was better and smaller at that time. After all, you will recall that they were right on the hill across the street in a building behind what is now the Navy Bureau of Medicine and Surgery - well, right around the corner from there. I was a little surprised by Alan Dulles personally, because he took an interest in the ongoing NIS studies that were being made. I briefed him, for example, on the economic survey of Mexico - sitting, he was there and I was here - which I thought was a major concession to a junior officer even at that time.

Q: It's interesting that he was concerned with that.

ARNOLD: I think he was just basically interested in what was happening in his bailiwick. That they would set up a briefing like that impressed me about the way the Agency was being run at the time, but it was also smaller.

Q: Before it got bureaucratized.

ARNOLD: That's right, and sprawled out over Langley as it was ablto once it got a headquarters operation like that.

Q: Working on INR, were you taking Spanish? Were you thinking about going off to Latin America?

ARNOLD: I presumed so. I had taken Spanish and had passed the oral and written exams in Spanish before I got that job. At the end of the course at FSI, I was deemed fluent at the four level in Spanish. When you do that full time, you know, things happen. And with 20 languages, dialects, free movement among the various national instructors, you can learn pretty fast, and we did. They didn't continue doing that for a long period of time, but my whole class had that opportunity to take six months of full-time language instruction had they chosen to.

Q: This is the time of the wish list and all. What were you puttindown on where you wanted to go?

ARNOLD: I didn't want to leave the country right away, and I didn't know enough to have a very clear wish list of what I wanted to do in the Department, but going around and interviewing. I was quite content with the idea of doing a research project in INR for a time on the theory that my next post would be an overseas one as yet to be determined.

Q: You weren't in INR very long, were you?

ARNOLD: Just about two years.

Q: Two years, and then all of a sudden where'd they send you?

ARNOLD: They sent me to Cairo.

Q: Why?

ARNOLD: Well, that was a major question. Actually I had exhibited some capacity as an economic analyst at that stage, and they needed the junior economic position in Cairo filled - that was one reason. The other is that Bob Dean (Robert W. Dean) had intervened because they had me set up-they must have figured I was a broad enough guy - they were going to send me to Sanaa as General Services officer.

Q: That's in Yemen.

ARNOLD: Yes, Sanaa in the Yemen. When I looked at the picture, I said "that looks like the after-effects of the San Francisco earthquake." But Bob said that's crazy. This guy knows a lot about economics, and therefore it would be foolish to send him to Sanaa, so I ended up in Cairo.

Q: Well in the Economic Bureau, had Frances Wilson taken control yeof sort of the upbringing of young officers?

ARNOLD: Well, Frances took control of my career when I came bacfrom abroad, but I don't recall that she was in charge.

Q: I think she came a little later. She became the den mother tall of us, a whole generation of superb economic officers.

ARNOLD: And I was one of those. There are a number of them still around, some still active, who were graduates of that environment, and it was very constructive, positive.

Q: Oh, very much so. No, I mean I think she's a major figure in thcareers of many people, I think, and very important.

ARNOLD: You know, there's something to be said, much to be said, for letting people find out who they are and what they're capable of and nudging them here and there, but don't get in the way, and that was her basic attitude.

Q: Why don't we stop at this point? We'll pick this up in 1960 wheyou're off to Cairo.

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This is June 6, D Day, 2000. Terry, you're off to Cairo. When?What year did you go there?

ARNOLD: I started out in December '59.

Q: And you were there till when?

ARNOLD: Till the end of '61.

Q: What was the situation in Cairo? In the first place, how did yoget the job?

ARNOLD: Well, that was an interesting little task. I was working,as I mentioned to you, in INR in Latin America affairs at the time.

Q: That's a logical connection.

ARNOLD: Right, and with a good group of people there. The first proposal when I came up for my first overseas assignment was that I go to Yemen as a General Services officer, and everyone in that group objected strenuously to that, but as I indicated earlier Bob Dean, one of my immediate supervisor/mentors, decided he was going to take it on frontally. As he reported it to me, he went to Personnel and said, "This young man is a very good economic officer. You don't want to waste his talents on General Services." So they found me the job as junior economic officer in Cairo, which was fine. It was an excellent starting overseas assignment for a young officer.

Q: What was the situation in Egypt when you got there - you know,the general, sort of political and economic situation?

ARNOLD: Well, to start with our situation first of all, we had one of the largest U.S. missions in the world, very large political and economic staffs and a sizable AID mission, and we ran a head-on competition with the Russians then for position in Egypt. This was Nasser's heyday. He was seeking to promote pan-Arabism, had created the United Arab Republic as the combination of Egypt and Syria, and that was still functioning apparently well when we arrived there. There were lots of unsettled business questions on the table on the status of American oil companies, partially or fully owned American firms in Egypt. There were big questions about the future of the Suez Canal, because the British had moved out and pilots were being "Egyptianized," so the Canal management was for the first time being turned over to Egyptian authorities and to Egyptian staff. The big rumor on the street was the construction of a high dam on the Nile above the low barrage dam that the British had built many years before in Aswan itself. The petroleum industry became one of the focal points of my enterprise there. First of all, I was the junior economic officer, and they gave me pretty much all of the sectoral analysis and reporting. I had the whole infrastructure. I had transportation, civil aviation, the railroad system, communications, mining, petroleum, and that was actually a first-class set of assignments.

Q: Oh, absolutely. Before we move to the economics, could you say who was the ambassador there and what were you picking up? You were the new boy on the block coming out of Latin American affairs, and so you're obviously talking to these people who've been dealing with Arab affairs for some time. What were you getting about our attitude towards Nasser and developments there at that time?

ARNOLD: Well, first of all, the Ambassador was Bill Rinehart, and Bill unfortunately did not live too many years after that. When he left Egypt, he went to Rome and developed some major ailments that were terminal. But Bill was looking at this whole process - and I know this fairly well because he was a key kind of mentor for me. He used my access in economic sectors very effectively, and I had good access as an economic officer. I was not controversial. I could get around and see things, and I did constantly. It was a big question for him as to just how we would maintain our position in that region, just how we would effectively offset Russian movement into the country and Russian alliances with Nasser. Nasser came across to me as a genuine opportunist. He was not the visionary that some people painted him to be, but he saw an opportunity here and he pursued it. In addition to pan-Arabism, of course, he was looking to sub-Sahara Africa and courting people like Patrice Lumumba in the Congo, so that our task was really to maintain our position in that region and look for, identify, and pursue projects and activities that would strengthen our hand. We did that. The chief of the economic, commercial, and AID mission was an officer named Ross Whitman, Roswell Whitman. Ross was one of the few Foreign Service Officers in charge of a combined Economic Section and Aid Mission. He operated out of two separate offices, and he was very good at both of those tasks. He understood these problems, I think, very well, and he also used me very effectively. I felt quite effectively engaged in that country, especially given that I was such a junior officer.

Q: Here you are, this is your first overseas job. How did you geengaged? What did you do, and how did you go about this?

ARNOLD: Well, first of all, I'm a very open character, and I'm curious about everything. I'm not driven by a priori assumptions, and I maintained an open mind. I was not driven by such assumptions as it's impossible for Americans to get approval to visit this or that; I would just go ask. And I was never refused. I would say I would like very much to visit the Sinai Manganese Company in Sinai at a time when Sinai was roped off pretty well, and the company manager would fly me down there in his own airplane. I would say I would like to see the water drilling operations in the Kharga oasis way off to the west of Cairo, and they would let me drive out there and do it. Or, as I did on one occasion because Ross was very interested, I suggested that he and I take a drive down to the Red Sea in his car to visit some of the mining and petroleum companies way down on the Red Sea below Suez. So we spent a week, he and I and a driver, doing that, and it was all very easy to set up.

Q: Well now, what sort of a state was Egypt in those days?

ARNOLD: In what sense?

Q: Well, I mean would you say a police state, an open state, a statof war...

ARNOLD: It was not a police state. It was very much a one-man show. Nasser had no effective opposition. He was the master, if I may put it that way, of the Piaster protest demonstration. You pay a few pennies to a lot of people and you can fill the street with advocates of Cuba, for example, and they did that two or three times right in front of my residence, because I was on the eighth floor of an apartment house where the Cuban Embassy was located. So they would do a lot of that. Egypt was not definitely on any specific course other than the political and philosophical agenda that Nasser had. Most Egyptians I don't think honestly were participating in that. This was a leadership thing and a very narrow leadership cadre thing. There were developments in the offing that over time would open up the Egyptian situation, especially after Nasser died. One of the more interesting young characters on the landscape was a labor professional named Anwar Sadat.

Q: Did you run across him much?

ARNOLD: Not much because labor was not my assignment, but one of our people, Ray Barrett, did run across him quite a bit.

Q: Just to get this: '59 and '61, had the Czech arms deal already gone through?

ARNOLD: I don't recall that that had gone through, no, and that was a big enough object so that I think it would have made a deep impression. The Aswan Dam had begun.

Q: This is just about the time that John Foster Dulles died, I think, because he died slightly before the end of the Eisenhower Administration, and Christian Herter...

ARNOLD: Well, Herter was already in charge when I left.

Q: There's no secret that there was tremendous antipathy towards Nasser by John Foster Dulles, and I think it was reciprocated completely by Nasser. I was wondering whether this type of thing reflected itself in our everyday relations.

ARNOLD: Well, it reflected itself in our everyday relations in several ways. One of those ways was, of course, it was quite difficult for most official Americans to get around and see people. They were suspicious of us as a group. The peculiar window that I found existed for me was that I was not controversial, I was not involved in politics, and I didn't represent the military. That was their attitude, and I did everything I could to encourage it, and it got me into everything I wanted to get into. But mostly political officers had trouble seeing their counterparts and so on.

Q: Well, it shows a certain amount of sophistication in the apparatus, the screening apparatus, the Egyptian one, when it could differentiate between a junior economic officer and a political officer and all that.

ARNOLD: Well, part of that was where I went. You see, I would cultivate the economically related ministers, the petroleum people, the mining people, the infrastructure establishment, so that I was guiding myself into a particular sector of the Egyptian infrastructure. One interesting thing about that: There was a very mixed group of people in that sector, people most of whom had some American experience or who were English speakers. Mohamed Salim, for example, who was the head of the Egyptian Petroleum Company, had been briefly on the faculty of the University of California at Berkeley and was very fond of that experience. Mahmud Abu Zeid, who was the reigning terror of the oil industry from the point of national policy and who was the head of the Egyptian cooperative petroleum organization, was married to an American. He was indeed a terror from the point of view of the policies that he pursued, but he was perfectly accessible, and in fact we spent a lot of time talking with each other. Mahmud Ibrahim, who was the Minister of Petroleum Affairs, was always very suspicious, but he would never refuse to see me. Things like that. And these senior contacts all spoke English, every one of them.

Q: Did you have to, when you met people, get through Israeli policbefore you could get down to business?

ARNOLD: The Israeli policy seldom came up in direct conversation with any of these people. They were mostly more sophisticated than that. They were better targeted intellectually, and they knew it was a waste of time to talk to an economic person about Israel anyway.

Q: Well, I say that only because during part of this time I was over in Dhahran, Saudi Arabia, as an economic officer in the Gulf, and you had to go through the Israeli discussion, which was futile from both sides, and it didn't go anywhere but you had to go through it. It wasted a lot of time actually.

ARNOLD: When you get into Israeli issues, one of the interesting discoveries for me was the Jewish community in Cairo, and I came upon this through the window of the oil industry. Armand Abdel Ahad was the head of Texaco in Cairo, and he and his wife were Sephardic Jews. The Sephardic Jews, you will recall, were the Jews who were expelled from Spain, and they mostly spread along the North African coast. I tripped over this connection because I happened to be standing - her name was Esther - in her near vicinity, and she started speaking, I could have sworn, Venezuelan Spanish. The reason I thought it was Venezuelan is that the Venezuelan Spanish is closer to classical than any of the others, or was at that time. In effect, she was speaking the Spanish of Don Quixote. I spoke Spanish with her, and I learned about the Sephardic connection. She informed me that there was a small community there, not obvious, not advertising, but not without power when you think about it.

Q: Well now, of course everything in the Middle East, I mean oil, is so potent. What was the status of the oil-producing business in Egypt, and what was the prognostication for its future at that time?

ARNOLD: Well, that was one of my assignments. That's kind of fun. I got to know the industry very well. I got to know everybody in it. I made a special point to get acquainted with everybody in the petroleum industry, and I paid a fair amount of attention to him and I became very good friends with the head of the Arab League Petroleum Bureau. His name was Mohamed Salman., and he was not Egyptian but Iraqi. He later became the Minister of Petroleum Affairs in Iraq. When he went to Iraq - to show you what kind of relationship we had - my wife and I took him and his wife to a very posh Cairo restaurant dinner as a farewell - the only farewell he got from the U.S. establishment, by the way.

Anyway there is a story associated with that, because here's what was going on in the industry. Mostly the Egyptians were trying slowly but surely to squeeze the foreign petroleum organizations and to take over the industry in the country, but they did not have either the skills or the capacity to do it. They had the Egyptian Petroleum Company under Selim. They had the COOP under Abu Zeid, and they had a Minister of Petroleum Affairs. They had their own refining industry, and they were meeting most of their domestic requirements. They did not have a significant exploration program. And there were a number of people, and I was one of them, pressing for serious exploration of the Western Desert, notably the areas west and south of the Qattara Depression. We continued to press for that and there was an enormous American oil company interest in being able to participate in Western Desert exploration. My last official act in Cairo, as a result of being so involved in the process of trying to get this done, was on behalf of the Egyptian government I carried the bid documents to open the Western Desert, at least initiating the process, back to the Department of Interior when I left Cairo at the end of the tour. Egypt later did open up the Western Desert, there was a lot of exploration done out there, and they did find oil.

Q: Well, this was a period just about this time when Libya was really opening up mainly through Occidental and one of the branches of ARAMCO, I know, because I remember I was in Dhahran and they switched somebody over there to run one of the programs. So Libya was really opening up, so I guess this must have gotten the Egyptians rather excited.

ARNOLD: Well, it did. The fact that there were real indications of oil under the western desert, under the North African desert to be sure, caused them to consider very carefully. Although they had a couple of oil fields down on the Red Sea and on the Sinai side, these were all small fields. They were modest producers at the time, and I had modest expectations about them. So if they were ever going to be a serious player in the oil industry, they needed a better show, and their opportunity for a better show was in the western desert. That finally did transpire, but it took several years to pull it off.

Q: They must have realized that if you really want to get in and find oil, you've got to go enlist the aid of the big boys. I'm talking about Shell or Esso or what have you.

ARNOLD: They had several things that were essential. They had the marketing connection, they had the technological know-how, they had the working capital, they had especially the experience with deep drilling. The Egyptians didn't have any of that, and they knew it. Honestly, the people who were in the positions of authority were not unsophisticated. They knew what their limitations were, and they went along with the idea of putting out a solicitation for bids on the western desert to the Western oil companies essentially, and that's what they did. Of course, the Italian, the British, the French and the Americans were right there Johnny-on-the-spot to try to get into that. So it was a smart decision. There were other things happening. ARAMCO was, of course, very much in charge still in Saudi Arabia, as you know, at that time. In fact, you and I probably met one of the leading lights of that organization named Brandon Grove, Sr.

Q: I probably did.

ARNOLD: I didn't meet his son for many years after that, but Brandon was very much in the picture and in Cairo a lot, because the Arab League Petroleum Bureau was moving to a position of significant influence. In the end what the Arab League Petroleum Bureau did while I was there was put together OPEC, and they put it together with an interesting crowd of people, Sheik Abdullah Tareki of Saudi Arabia, Mohamad Salman of Iraq, Prince Pichachi of Iraq, Mahmud Abu Zeid of Egypt, Mohamad Selim of Egypt, Emil Boustani of Lebanon, and Perez Alfonso of Venezuela - an interesting crowd.

Q: When OPEC was being put together, did we see it as a threat?

ARNOLD: We saw it as an organization with very dubious predictions of (a) well, they'll not ever be able to come together, and (b) if it did, it wouldn't do anything. Even though within the Arab League Petroleum Bureau they could agree on the concept and hold an organizing meeting while it was there, it was not at all clear that they had enough in common to be able to make the organization work. Ultimately they obviously did and took on some additional members from the starting line-up.

Q: You mentioned an Arab League. The Arab League had sanctionagainst anybody who did business in Israel.

ARNOLD: Yes, sort of.

Q: Yes, it got complicated, but was this an inhibitor for the peoplyou were dealing with, particularly the American firms?

ARNOLD: It interfered with freedom of movement, and interference with freedom of movement is always a problem for an economically organized group. One of the concerns we had was, of course, Trans Arabian Pipeline (called TAP line). The trans-Arabian pipeline ran right through that region to Sidon on the Mediterranean coast.

Q: That came out. Wasn't it in Lebanon?

ARNOLD: No. Sidon is in Israel, and I think it came out right about there. I knew the people who ran the TAP line program very well, because the politics of the region put TAP line in jeopardy at four or five different points along the route. You know, it was a big industry owned pipeline. It was economically very important to the industry at that stage, because the Suez Canal could not handle any very large carriers.

Q: Again, this is not where you were, but you had dealings with Iraqi representatives. I can't remember who was the head of Iraq, but since 1958 there were a bunch of thugs pretty much.

ARNOLD: They were a bunch of thugs then. In the oil sector, a particularly important individual was Prince Pichachi, who was in charge of petroleum affairs at that time. He's the one who attended the Arab League formation meeting for OPEC.

Q: How did we view Iraq? I realize your perspective is Egypt, buyou were looking at petroleum.

ARNOLD: I was looking at petroleum and looking at the region in those terms. Our companies were having problems with Iraq - and of course our companies were there; so were the British - and we were trying to figure out what the long-term relationships were going to be. I think in Iraq and Saudi Arabia, in Syria, and for the future certainly in Egypt, the oil companies all saw a special kind of handwriting on the wall. They had to reorganize their operations. They had to back off from complete control and ownership of the local industries. They had to cede power, authority and income to host governments, and they knew that. It was not a question of whether in their minds, when you listened carefully to them; it was a question of when and how.

Q: Well, my little sampling when I was in Dhahran and I was getting the American perspective, but I used to go over to Bahrain, in the Emirates, and in those days it was the crucial space with the United Arab Emirates. It seemed like the Americans understood if you're going to do business, you're going to have to turn this over, more or less and sooner rather than later, to the Arabians, but it seemed like the British and to a lesser extent the French were trying to postpone the inevitable.

ARNOLD: They still had a hold. They hadn't retreated from east of Suez yet. And, yes, they did; they were fighting pretty hard not to change their posture, and that was true in Egypt as well. The British were a bit out of touch with the times in this case.

Q: How about what you were watching? After all, it wasn't that long since the Suez War of '56. How did the British fare in there economically?

ARNOLD: Well, they were fading, and they knew it. One of the big signs of that was having to give up control of the Suez Canal, and the ones who stayed around kept saying there's no way this will ever work. Actually it was working perfectly well, and they hadn't looked at the obvious, in the same way that Americans who are criticizing our handing over the Panama Canal haven't looked at the obvious. In both instances for quite a while before the actual handover occurred, the great bulk of operations had been in local hands anyway, so this was no big deal when it finally transpired. And, in fact, it wasn't a big deal. I spent a lot of time handholding with people who were convinced that this was going to come to no good, but the Canal ran and ran without problems.

Q: Watching the people who were looking at this, we all remember, of a certain age who dealt with the Middle East at all, about the agony over the Suez Canal and what would happen when those Egyptian pilots took over and obviously they didn't know port from starboard. You heard all these stories.

ARNOLD: And nothing ever happened port or starboard in the Canal iyou were doing your job.

Q: I think many of us were dubious it was going to be as bad, but the doomsayers had quite a heyday in talking about how awful things were going to be.

ARNOLD: Oh, they did, sure they did, and they did it regularly.

Q: You had transportation. Was this part of your portfolio?

ARNOLD: It was.

Q: Did you sort of go out and kick some pylons or whatever they calit?

ARNOLD: I went to all the reference points. I went to the halfway point, to Port Siad and to Suez and looked at things and saw the strange object floating the sand, you know, when ships went through the Canal, from the desert they looked like disembodied superstructures floating across the sand. The problem with the Canal ultimately was not the change in management. The problem that the Canal was going to have and it got solved was that it did not have the depth for heavy tankers and it didn't have adequate width for two-way traffic. It solved both of those problems pretty well, but it still can't handle the supertankers. That's just beyond reach, I think, but at least it handles two-way traffic and that makes it a very good dry cargo kind of passage. That was all to take a while, but really ultimately the furor over Egyptianization of the pilots and the Canal operation was a tempest in a teapot.

Q: We so often have so many trade matters when the British pilot'ox is being gored.

ARNOLD: It was being killed. They were done. The best opportunity they had was to be gracious and help the Egyptians take over. That didn't entirely come off, but that was the opportunity.

Q: What about people trying to do business at that time with the Egyptian bureaucracy. I don't know about it, but I assume it's as bad as most bureaucracies are, an awful lot of red tape, paperwork, and a considerable amount of having to pay people in order to get something done. Was this a problem?

ARNOLD: There was a certain amount of problem there, but these guys were not unsophisticated, and the area in which I saw it most clearly, or I saw a lot of it, was in the oil area. I never doubted that these people knew what they were doing. They may not have had the resources to implement their thought, but they knew what they were doing on the oil side and eventually went the right direction in opening the desert. But civil aviation was a big area of interest. When we arrived in Egypt, we were still running propeller-driven aircraft through that region. It seems an enormously long time ago. That's where we were. But we had two American carriers operating there, both PanAm and TWA, and I did a certain amount of service in their connection. The Egyptian aviation people were very sophisticated. They participated in the international meetings that went on in this field. They stayed in touch with the art of the possible, but a key set of things was happening there, and it was happening in a virtually all the places that I served. Civil aviation was changing. There was a time when PanAm was the unique around-the-world carrier, you know, and TWA was not far behind in terms of its European and Mediterranean operations, so that when TWA and PanAm both introduced jet aircraft into the Eastern Med, there was a certain amount of furor. Egypt itself had created a carrier named Misr Air, and it was flying smaller jets. It wanted a piece of the action.

If you look at the history of civil aviation, policy and negotiations for the United States from that point onward, our net result was a progressive ceding of space, passenger space, carrier space, route space, participation, market share-however you put it, to up-and- coming new carriers around the world. That was the name of the game. That's more or less stable now, I would say, but for several generations of our peers who worked the aviation problems, the big, known, already-on-the-table task was what were we going to give away in order to stay in business on whatever scale we felt was worth keeping, not could we continue to dominate the universe, because that option was dead. The Egyptians and certainly our carrier representatives saw that. They knew they had trading choices to make when they brought in jets, and they knew the Egyptians were going to get what they could for it in the way of rights.

Q: What about trying to sell jets? I imagine Misr Air was probablusing Caravels or something like that.

ARNOLD: They had Caravels. I think they headed back to British Airways.

Q: Were we trying to penetrate that market?

ARNOLD: We were. We hadn't as of the time I left there.

Q: It sounds like the animosity towards the United States wacertainly on the coarser side, was there or not?

ARNOLD: Not really. People, as in the case of civil aviation, were very practically rooted. In this sector we were dealing with real issues that represented real money, represented economic position and power, and that's a game that's easier to pursue than the political game. The targets are clear. It's easier to state the issues, and it's easier to judge whether or not you can afford what the other side is asking of you.

Q: How did you find your contacts with Egyptians, social contactand cultural contacts and all this?

ARNOLD: First of all, I had a lot of fun with the Egyptians, and I had fun with Egyptians at all levels. I just loved from time to time to go wandering out into the edge of the desert knowing full well that I was going to be all alone for about ten seconds and somebody would pop over to the right and come toward me and would want to serve me tea in his little lean-to, and I would have tea. The last time I did it was 1994. It still worked. I took a friend who was teaching a course there with me into the edge of the desert, and it didn't take any longer than a few minutes for this person to show up. At the professional level, first of all, there was a lot of sophistication. Most of the people I dealt with were well educated. A few of them were ideologically advanced. Abu Zeid, for example, was a died-in-the-wool, hard-line socialist in his overall thinking. But mostly they were pretty pragmatic. They were easy to get along with, but that does not mean they were pushovers in negotiation. There was a very rigorous - I mean tiring - entertainment schedule in Cairo, and when Yvonne and I left there, the Embassy made a major concession and allowed this junior economic officer and his wife to invite all of their friends to a farewell party. There were 500 people on the roof of our apartment building in a large patio that overlooked the desert and the great pyramids. It was fun, but it was a little bit of everything.

Q: In a way you're talking about the professional class and educated class. Were we concerned about - this fellow you knew - in other words, too many people and too little land?

ARNOLD: We were interested in that, very interested in that, particularly from the economic side, and Ross Whitman's people in the AID program spent a lot of time thinking about it. You could get out into the desert and, if you were paying attention, get out and walk along the edge of the canals in that little green space between the river and the desert and look at the people who lived there, and you could see remarkable contrast. First of all, virtually none the people you were looking at out there in those villages werArabs; they were genuinely Egyptian, they were Saidi, they were river people the native Egyptians. They were the people of the Pharaohs, and you could look into the eyes of the children and see that. You could see the eyes in those children that were the eyes painted in the tombs and know the indigenous folk are these. Those people who lived in and around Cairo were something else. They were Bedouin, they were Arab, Armenian, they were Greek, Jewish, Cypriots, Lebanese; in short they were a metropolitan Mediterranean mixture of peoples many of whose members were the elite. The one who was most engaging from that point of view was Nasser himself. He was not an Arab. He was a Saidi. He was born up the river and he was a river person, which made him a novelty in all that schematic. How he got where he was is one of those accidents of history. As I recall he was a close aide and supporter of his predecessor Naguib, and when Naguib left the stage, there was no one strong enough to challenge Nasser. Naguib and Nasser represented basically a military coup.

Q: Why was Nasser being painted within the American press or even in the Embassy as being the devil in a way or with the Third World movement and not aligned movement?

ARNOLD: Nasser had a certain capacity to make trouble. First of all, he was not out of a traditional background. That's important in this schematic. Secondly, he was trying to change things, and change is not always the most comforting process that a Westerner encounters in places where he's got long-term interests. But he was pushing for change. Because he was pushing for change, he could generate alliances with people like Castro or Patrice Lumumba or with Sheik Abdullah Tareki in Saudi Arabia, with the change brokers in every one of those countries.

Q: Sukarno, Nkrumah.

ARNOLD: Yes, yes. He could do that, and he did that, and therefore he made us uncomfortable. He was promoting changes in areas of the world where we were not at all sure the directions those changes would ultimately take would be beneficial. They didn't necessarily look as if they were headed toward what is currently defined as democracy, and there are some weakness in the definition that I understand.

Q: What about the Soviets at that time? What were we seeing thedoing?

ARNOLD: We saw them doing a fairly neat job of nudging their way into the Egyptian landscape starting with a big success, the construction of the High Dam. They actually began the dam in our second year in Egypt. I spent a fair amount of time walking over the site while they were working there, just getting a sense of what the equipment they were bringing in, the way equipment worked, what kind of approaches they were taking. That was clearly the biggest object on the landscape, and they had beaten us on that one.

Q: Wasn't the feeling at that time that we should have been dointhe High Dam, or were we saying, well, this thing may be an albatross.

ARNOLD: We were not at all sure about it. There were some doubts about it. Not sure about its utility, not sure about it as an expenditure of funds and energy for a country as poor as Egypt. I don't think it has made the fundamental changes that it was thought to bring when it was started. Even up to now it has not. It's changed a lot, and the river is different from the way it used to be. The river is very different for the peasant on the river, because they don't get the annual renewal that they used to get, and that's changed a lot. Go out into those villages - I did that in '94 just for the fun of it - and just walk around and you can see how things have changed. At the low end of the income scale, small luxuries popped up everywhere, including motor scooters and things like that, but basic lifestyle is not terribly changed from 50 years ago, or 40 years ago when we were there.

Q: You left Cairo in '61. Where'd you go?

ARNOLD: Well, there was a little chapter in the predeparture, and I think that should be part of the record. I was petroleum officer also for Syria, and Ross Whitman decided it would be a smart thing for me to do to go over there and spend some time. We had some outstanding legal cases, one notable one involving Atlantic Refining Corporation. They had some properties confiscated in the region of Karatchok off toward the Iraqi frontier, and it was decided that I would go over and help Ridgeway Knight, who was then the Consul General there, do some economic reporting on the oil industry, and see if I couldn't get to the people who could shed some light on what to do about Atlantic Refining. My wife and I went over there on TDY, and there was a young economic officer, Dick Dwyer, who had that entire portfolio all unto himself. He and I did a fair amount of probing around in this problem and other things. The day before my wife and I were ready to leave, we wrapped up our discussions, and Yvonne and I went to our hotel, the New Umayyid, a misnomer for sure, because it had been built long before World War II. Anyway, we were snoozing away at about five in the morning of our planned departure, and the muezzin in the minaret next to us started sounding off the call to morning prayers. All of a sudden in the background there was a dut-dut-dut-dut-dut-dut-dut-dut-dut, and the call to prayer stopped. Yvonne said, "My heavens, what is that?" and I said, "Well, Yvonne, if it's what I think it is, we're not leaving town today." And in truth that was the beginning of the separation of Syria and Egypt and the collapse of the United Arab Republic.

Q: What happened?

ARNOLD: Well, they had a revolt by the Alouites. Nasser had put a governor over there by the name of Hakim Amer, and the first thing the rebels did was put Hakim Amer on an airplane and send him back to Cairo. They terminated the United Arab Republic as of that moment. So Ridgeway Knight suddenly became chargï¿½.

Q: He had originally be assigned out there as Ambassador, hadn't he?

ARNOLD: Then his mission had changed into a Consulate General witthe unification.

Q: He persevered, and there it was again.

ARNOLD: He had his Embassy back.

Q: Not very happy about it. Did we, sort of from the point of view of the Embassy economic section - Cairo was the head of the United Arab Republic at that time...

ARNOLD: That's right. It was the seat of the Republic.

Q: Did we take the union of Egypt and Syria seriously really?

ARNOLD: Not economically because it was not serious economically. There were no mergers of power or income or productivity. These remained two distinct and isolated economies. Given the intervention of Jordan and Israel in the space between the two states, it was very difficult to bring them together in any but a top-level administrative way. In the event, it was clear that enough Syrians resented having an Egyptian overlord to topple the arrangement.

Q: Did Egypt have any commercial dealings that you got involvewith, say with Saudi Arabia or the Sudan?

ARNOLD: Yes, but this was mostly little stuff. With Saudi Arabia, their big export was oil. The Saudi's bought things in Cairo, manufactures of one kind or another but not big stuff. Sudan was a very poor relation to Egypt. It had a good agricultural area and it was a traditional supplier of grain. The Egyptians traditionally viewed Sudan as a breadbasket. After all, the Gezira between the Blue Nile coming out of Lake Tana in Ethiopia and the White Nile coming out of Lake Victoria is one of the most fertile regions of that area still. I finally visited the region of the two Niles many years later.

Q: In Libya there wasn't really much in Libya. Did you have anrelations with them?

ARNOLD: Not even a decent road along the Mediterranean.

Q: So then in '61 what happened?

ARNOLD: Well, it was time to move on - two years, you know, fojunior officers. They sent us to Calcutta.

Q: From one teeny place to another teeny place.

ARNOLD: Actually Cairo was very good preparation for Calcutta. Yvonne and I became very fond of Calcutta. Marvelous place to live, terrible place to visit, is the way we summed it up. If you lived there, you adjusted to its circumstances and you knew what to do and how to do it. You could live quite comfortably and safely in health terms. We were never threatened by anybody, but health was always at risk if we didn't pay attention. That was the big difference. Cairo, heaven knows, was filthy on the ground, but it was dry, dry, dry, and the moist environment of the monsoonal region of India is a different matter. We got acquainted with it. We learned to live there. We had a marvelous time.

Q: You were there from '61 to...

ARNOLD: Well, the beginning of '62 to '64, because we took homleave in between.

Q: What was your job in Calcutta?

ARNOLD: Again the junior economic officer, but a different situation in that staffing changed. The senior economic officer eventually was Roy Atherton, and the Consul General was Bill Baxter. Bill decided he needed a deputy more than he needed a senior economic officer, so he moved Roy up front, and I became the economic section, which again was great fun. It was a very different economic situation, of course, much lower level of economic development but an enormously diverse and busy economy.

Q: How were relations between India and the United States durinthis period, and what was the political situation in India?

ARNOLD: The relationship was good between us and India at that time. Radhakrishnan was President, and Nehru was Prime Minister. There was again evidence of competition between us and the Russians for big projects, and the big project that I competed around was iron and steel, whether or not the United States would build the next basic steel plant in India or whether the Russians would do it.

Q: There already was the Tata plant.

ARNOLD: Yes, the JRD Tata plant in Jamshedpur. That was a privately owned Indian steel plant, a very good little operation as a matter of fact. I became very fond of the Tata family. Spent time there, visited with them, walked through the plant, could go back and forth as necessary to do my study of the steel situation. I also went to the iron ore producing areas associated with that plant, all of that. That was part of my education for purposes of whether or not the United States would do the next steel plant. We didn't. The Russians did at Bhilai in the region south of New Delhi. Hard to say how much of a success it was. They did end up making steel there, and they're still making steel there. But the Indian economy did not take off with anything like the speed that we imagined. I think that on this issue we were unsophisticated. I don't think that our leadership back here, especially the Congress, and the public, had any sense at all of how long it takes to transform an economy. We were not even detached enough to look closely at how long it had taken us to get where we were. So we expected miracles and we expected quick results, and when we didn't get quick results, we refused to adjust our expectations. That's where we've been ever since. We don't know how to do this. We don't have the patience for it. Our Congress doesn't have the stomach for it.

Q: What were we doing in the Calcutta area? What were our interestand what were we doing?

ARNOLD: Well, as I found out also in the Philippines, we were interested in food production. We were looking closely at the steel plant possibility. We were looking at promoting trade. I spent a fair amount of time on tour with traditional trades of eastern India; one was tea and the other was jute, and we were very interested in those. There were Boston-based companies in both jute and tea. Ludlow was a Boston-based firm in jute (burlap to most people). Of course, the major tea companies were all involved in one degree or another, ours and the British mainly.

Q: The Indians until really very recently have been going through period of sort of being self sustained.

ARNOLD: Yes, they have. They were onto that. Very necessary from the point of view of what they could afford to do, and philosophically they wanted to do it. India structurally, philosophically, religiously, economically was more complicated than Egypt could ever be. Of course, it's enormously larger, culturally and linguistically much more diverse. But if you look at the class structure of India and then look at the sub-cultures other than Hindi, such as the Marwari, the Sikhs, the Parsi, you found groups of enormous wealth and power in that country. The political leadership these groups may not have had, but the power behind the scenes they had on a grand scale. The economy and the culture were more complicated by far than the Egyptian situation and, if the Indians chose, they were capable of marshaling resources to do things.

Q: Was this a place where America could sell things?

ARNOLD: Oh, yes. We sold a fair amount of stuff. In fact, we diand do sell fairly actively in India.

Q: I want to talk about this '62-'64 period.

ARNOLD: There was a small, by comparison to now, middle class. The middle class of India today is probably as big as ours in absolute numbers, but it's a much larger society. It was coming along. There was a growing market for a wide range of goods and services. I think it flowered probably more significantly after we left there, however. I've been back a number of times. Some things in my visits have not really changed for the better. I have a pattern that I like to repeat every time I go to New Delhi, and the last time I did that was in the late '80s. I get up first thing in the morning before dawn - I mean five o'clock - and take a taxi down into old Delhi and get out of the taxi and walk around and smell the place, sense the place. I did that over a period of two decades in frequent visits. In these visits there hasn't been much change or improvement in old Delhi. The rest of the country may have been going places, but the bazaar was pretty friendly and I'd go down there to test the breezes.

Q: Did we have projects, sort of AID type projects, going in Indiat the time?

ARNOLD: We were trying. We had an AID mission, a fairly large AID mission in Delhi, no AID officers associated with Consulate General Calcutta, in fact I was it. That was one of my side portfolios. It was kind of fun as well. We were doing a fair amount in agriculture, and we were looking closely at iron and steel. We were looking at the promotion of industrial activity. We were still in that phase when we thought long-term developmental change occurred through a fairly sizable infrastructure project. We had not yet concluded that all we needed to do was feed the poor. That is where we are now, and it makes us feel good, but it merely serves biological survival needs, not development or growth. We don't have the patience for infrastructure and other big developmental stuff. We don't have the political stamina for the budgets involved. In a very crude sense, our political cycles are too short for this kind of long term development.

Q: How did you find the Bengali intellectual elite there? Were they interested in the United States? It's quite a self-enclosed area, great ferment and all that.

ARNOLD: The Bengali sort of separated himself from the rest of India. Oh, they were quite accessible as people, quite accessible socially. So were all of the others. The ones who probably were the least accessible were the Marwari. I knew them professionally. I knew the managers of those companies that are all parts of the old East India Company that the Marwari had slowly taken over. They were running tea and jute and everything else. I could see them at that level of professional encounter but very seldom if ever saw any of them socially. But the Parsi were very open; so were the Punjabis, as well as the wealthier, more educated Hindi families, and the Bengalis. It's a genuine melting pot, Calcutta, a complex melting pot.

Q: I've never been there, but I'm told that one can get overwhelmed by the poverty that you see in the streets and all that. Was this difficult to deal with?

ARNOLD: Very. The first morning in Calcutta, Yvonne and I arrived on PanAm, which was the way to get in there, at five in the morning. We landed at Dum Dum Airport, went through customs and out to a waiting Consulate car. Our driver took us on a trip from Dum Dum (the famous dum dum bullets were made nearby) along Chitteranjan Boulevard to Chowringee Road in the business and tourist heart of Calcutta. As we drove toward the city in the semi darkness, the first impression all the way along that boulevard was of gray to black objects on the sidewalk all over the place. As we moved toward the city, it became lighter and I began to see what was happening. What we were seeing was an enormous street population that was just waking up. That image of the drive to the airport never changed, except that it got worse. Those images took some adjusting to, and the sheer closeness of people took some accommodation.

Americans, I think particularly, are not prepared spiritually to deal with this kind of proximity. Some other societies manage it quite well. As one sociologist put it, making an opportunity out of a disadvantage, recognizing that you can't avoid getting or being close, how do you make a positive thing of proximity? We didn't live too terribly well until we got accustomed to it. You have to fend people off on the street. They get close, they slap you with their hands, not necessarily with malice or anger, and you just have to learn to live with that. We learned to accommodate it. We had a great assignment, because we learned to live in India, but you had to reach a modus vivendi with extreme poverty and crowding. The most pervasive quality of India was poverty. Poverty there is as extreme as it is anywhere in the world, and you can only fix a little piece of it. You can't fix it all. There was not a family I knew there that didn't involve itself some way in trying to alleviate the suffering on the street.

One of our favorite people was Mother Theresa. She had her mission, and we helped her with time and with donations and with our support. One of our consular officers, Frank Collins - I replaced Frank, as a matter of fact - was very much affected by Mother Theresa, and he decided that the Church ought to pay attention, should be aware of and should recognize the work that Mother Theresa was doing in her mission. He developed and carried the papers back to the Vatican when he left Calcutta to initiate the process of getting her order recognized and confirmed as an order in the Catholic Church. It was a remarkable kind of accomplishment that probably few people even know about. But there was only one way to approach this problem. You had to recognize that the poverty was deep, abiding, and that you did not have either enough spiritual, physical or financial resources to beat it. But then you had to do what you could; and if you did that, then you could be at peace.

Q: You were saying you didn't have the time to penetrate the Raj?

ARNOLD: Or the know how to plug into that infrastructure. The period was virtually the last of the Raj, but the Raj was complex. It was British, it was American, it was French, it was German, it was an expatriate community of some size that sort of in and around, socialized and consorted with the Indian elites.

Q: Well now, with the Indian elites was there a different breed of cat than you'd find in New Delhi? You were dealing more with sort of the business community, you say, than with, say, the Indian bureaucracy, government bureaucracy?

ARNOLD: I had dealings with the Bengali bureaucracy, not terribly satisfactory but not in any way hostile. It was just that I could never find exactly who had the handle on a given problem. One marvelous moment: I went to call on a local minister, a Bengali government minister, to raise an aviation issue when we (meaning Pan Am) were changing our routes through Calcutta. I went into his office and sat down, and he was, of course, very traditional, white cotton dhoti clad (in lieu of trousers), long open shirt outside of his dhoti. He occupied an office that was probably 14 feet high and ten by twelve feet. All four walls were filled with shelves, and all the shelves were filled with files. Virtually half of the files, ranging randomly from floor to ceiling, had red urgent stickers on them. That's the picture. I'm sure that's changed a great deal at least in parts of the country, because some of the best software programmers in the business come out of Bangalore today.

Q: During this period, if I'm correct, you had the Indo-China War uin the Himalayas. Did that impact on you at all?

ARNOLD: It affected the economy particularly, because the tea growing areas were close to the conflict zone. I pursued the same custom in India that I pursued in Egypt, which was presume that I could go anywhere I wanted to go if I just asked. So I went to the heads of the tea trading houses, and this is how I really became acquainted with the Marwari.

Q: The Marwari, what is this?

ARNOLD: This is a cultural, social group, religious sect, very wealthy. It's the business class of India, very rich and very standoffish but accessible at least professionally, I found, with a little help. So I went to them and said, "You know, I have tea as one of my accounts here in the Consulate General. I would like to go visit some of the major tea estates." And they said, "Okay, we will set up an itinerary and we will open the doors for you. You manage to get yourself and your wife - and it is important to take your wife - up there, but we will take care of you when you get there." So we did a series of estates, the first one on the south side of the Brahmaputra River. Naya Gogra, the estate was named, and it was run by an educated Naga tribe member - his name was Nag, as a matter of fact. He ran a Boy Scout troop of young Nagas and used them to demonstrate tribal dances for us. This estate was fairly small, but it was making tea by the then current machine process called Crush-Tear-Curl or CTC. That meant the tea leaves were broken up by machine, then fermented, dried, graded, and packaged. The second estate was a very traditional estate making tea by the hand rolling the leaves, fermenting, drying, grading and packaging. This process yielded the finest, slow brewing tea that is the top of the market, if you are a tea lover. The third, fourth and fifth estates were much larger and very modern, using the current generation CTC machines and a crude but effective grading device called a Java Tunnel. For this, bins were arranged along a tunnel, a powerful fan was placed at one end of the tunnel, crude tea was poured in the wind and blown along the tunnel, falling into bins in accordance with its weight. The stuff that falls at the far end of the tunnel is dust that we Americans get as tea bags.

When we were on the fifth of these tea estates, the Chinese came across the frontier, right off to the north of the Raj Guri Ali, which is the traditional King's Highway between Assam and the Northeast Frontier Area. The Chinese were not far away, because we heard the cannons going off up in the ridges as they began firing. Needless to say, we cut our tea travels short, and the estate manager sent us out of the area on his estate mail plane - my wife riding on the luggage behind the pilot. We were scheduled to go to Darjeeling for a visit, because that's big, important tea country up there, and we did get to Darjeeling. We had a brief glimpse of Mount Everest across the shoulder of the intervening mountain called Katchenjunga, but the Consulate said that it was time for us to come back. The Indian Government was canceling all commercial flights, but we got down off the mountain (Darjeeling is close to 8,000 feet above the plains) and onto the last passenger flight to Calcutta.Back in Calcutta, the Consulate was suddenly called upon to assist an airlift, supporting the U.S. Air Force and Army ground troops in bringing supplies to India for the NEFA campaign. Diplomatic life is filled with the unexpected, and our airlift had some interesting sidelights. My secretary was a Parsi, Purveen Manekshah, and her uncle was General Sam Manekshah, who was head of the Indian Army, and therefore running the campaign in NEFA. Sam was a very accessible, very presentable, very knowledge, English speaking, Sandhurst trained military officer. We were invited often to Purveen's home, and had the opportunity to sit and talk with Sam about what was going on in NEFA. We were bringing in large quantities of military supplies. At that time we were using two facilities that went out of existence not too long after that. One was Chateau Rouge in France, which we lost when DeGaulle pulled France out of NATO. The other was Wheelus Air Force Base in Libya.

Q: All places to get kicked out of.

ARNOLD: Different time, different place, you know, but I remember our communicators coming in and setting up and creating their long log periodic antennas lined up so they could talk to Wheelus. A very interesting little sidelight on that experience: We were doing a good job of bringing in C130 loads of small military supplies. You have to remember that this was right in the middle of the Cuban Missile Crisis, so the fact that we had resources to devote to India's NEFA problem, was a mark of the way we viewed the Indian relationship. That they turned to us is a mark of the relationship as well.

For us the NEFA campaign then took a novel turn. While Yvonne and I had been in Assam we had visited the Kasiranga game preserve. Kasiranga is famous for being the last refuge of the two-horned rhino, the Indian two-horned rhino. The Indians contacted us shortly after that at the Consulate and said they would like to give us a mother rhino named Depali and a young offspring named Rajkumar. We got in touch with the National Zoo, and the National Zoo said they would love to have them but they didn't know how to get them home. We then approached the Air Force and asked, "Can you handle delivery of two rhinos for the National Zoo," and they said, "Yes, of course. We're flying back empty. This is no big deal." So we contacted the Alipore Zoo in Calcutta and began to arrange the transfer. We visited the zoo to meet Depali and Rajkumar, the baby, and he was teething at the time. I let him have my arm up to the elbow to suck on. Thanks to the Air Force we were able to pull it off. The crew of a C130 rechristened their plane Noah's Aerial Ark. Once the decision was made, the Indian wildlife authorities had a host of critters they wanted to give us, I mean birds and other specimens, so the two rhinos and a whole planeload of wildlife left Calcutta for the National Zoo.

Q: Did you talk to the pilots?

ARNOLD: Oh yes. They thought it was the most fun they'd had in a long time. Lear Grimmer was the deputy director of the National Zoo at that time, and you wouldn't know Lear Grimmer from Adam. He was the brother of Mitch Miller - remember Sing Along? Well, Lear came out and escorted his charges back to the United States, and Depali and Rajkumar were brought to the National Zoo. Depali did not survive terribly long after that, but Rajkumar surprisingly is still there. That certainly was an unexpected consequence of the Chinese invasion, because I have no idea how this move could have been made without the Air Force.

Q: After that support there, were doors opened more than they habeen?

ARNOLD: Not for us in Calcutta. I think they probably were in Delhi, because we had been a real practical support to Indian authorities at that time, and their military people knew it quite well. But that would not have had the same effect on us in Calcutta as it would have had in New Delhi.

Q: Bangladesh, East Pakistan...

ARNOLD: That was still East Pakistan.

Q: How was that considered from your perspective? Were we concerneabout it?

ARNOLD: Well, it was obviously less stable and poorer, if that's possible, than West Bengal. How this was going to sort itself out was a puzzlement to us, because East Bengal and Pakistan had very little in common, and as it developed ultimately, they didn't develop very much in time and didn't stay together. That was a peculiar accident of expatriate decision making about geography. This was not a local decision by any means, and it didn't ultimately make much sense. People from East Pakistan came over to Calcutta for R&R, so, you know, uphill is defined by where you start.

Q: I remember I used to see people getting R&R from Afghanistacoming to Dhahran.

ARNOLD: There you go, probably a sizable step forward. Actually we were perfectly comfortable in Calcutta and didn't find New Delhi all that appealing.

Q: What was the Bengali attitude that you were finding towards botthe Congress Party and New Delhi and all?

ARNOLD: To be sure, the Congress Party was there very much, but the Bengalis were pretty standoffish. They wanted to do their own thing pretty much, and Bengali leadership was reasonably smart, I would say, in these terms but more with the Congress Party than separate from it. Nehru came for, I think, a very popular visit while we were there, and we were able to meet him and sit on the platform with him when he made a speech to the Bengali people. He was well received. Back in those days security around a person like that was very light, not even visible. Things have changed. With people who walk up to Indian leaders with bombs strapped to their bodies-we now live in a much, much different time and place. Calcutta was another fun assignment.

Q: Well, it sounds like it.

ARNOLD: We're running two out of two at the moment.

Q: Then in '64 whither?

ARNOLD: Whither to Berkeley, to the University of California aBerkeley for a year of economic training.

Q: '64, '65.

ARNOLD: Right. I did a year of development economics.

Q: Now was there at this time a Berkeley School of Development Economics as compared to maybe the Chicago School or the Harvard School or what have you?

ARNOLD: That was a little confused because one of the leading lights was out of the Delhi school, a Dr. Sen. The basic developmental philosophy we pursued I found quite esoteric, high-order mathematical kind of stuff. It isn't that they lost me, it's just that I thought they were on the wrong track. They were building beautifully predictable models, and the problem was how to figure out how to plug these models into real people and real places. The models left out all of the messy stuff, the so-called exogenous factors, and the models depended on precise, substantial infusions of resources.

Q: Often the Foreign Service people who go and take these courses are sort of the people that say, hey, how will that work.

ARNOLD: Will it work? Or why do you think that will work?

Q: Why do you think that will work, which for some professors thelike this because it adds something. Others don't like it at all.

ARNOLD: Well, these guys didn't like it particularly. There were five of us at Berkeley that year, and we were a bit of a pain in the neck. We had a diversity of experience, some Mediterranean, some East Asian, some subcontinent, and we did raise a lot of questions, but there was a lot happening on that campus at that time. You see, this was the beginning of the Free Speech Movement, the runup to the '64 presidential election battle between Johnson and Goldwater, and the great debate over the Vietnam War.

Q: Was Mario whatever his name...

ARNOLD: Mario Savio.

Q: Was he there at that time?

ARNOLD: Oh yes, and I spent a lot of time studying that movement as a matter of fact after class hours, watching what they did, attending their rallies and listening to the nonsense that some of the professors on the faculty at Berkeley spouted from the platform.

Q: Well, this is the thing. I have a master's in history but I'm not an academically trained historian, but as I do these oral histories - and I've done quite a few now - I have found that every time I touch the academic world, they so often, when they're talking about how things work in the field of international relations, they just plain get it wrong.

ARNOLD: Well, they get it theoretical, and the real world can get pretty remote.

Q: Well, it isn't theoretical.

ARNOLD: You know, I found very early on in undergraduate school there were two different groups of professors on that campus in upstate New York. Some of them were older and smarter and streetwise, meaning they knew what, shall I call it, the operational limits of theoretical processes were; and then there were some who didn't know that there were operational limits to what you can do with the application of theories in human situations. A lot of the academic economic stuff cannot be plugged into ordinary behavior without a lot of effort, and that was the basic problem with Berkeley's economic development training. It was unreal.

Q: You know, at a certain point you can have making these theoretical pretzels and toss them in the air and see what happens, but there must be a point where somebody is asking the hard question: okay, how will this work? what's in this for me? Or were they essentially training other people who were going to make more theories to teach to other students?

ARNOLD: Basically, you know, what we did to ourselves in all of that - and I heard it often enough from economists in the AID missions - we retreated into theory from a very realistic and practical situation. We had to face up to and could not face up to the fact that the simplest way to get a project off the ground in a country is to show somebody how to make a profit from it. But what we eschewed royally and regularly was the idea that the profit motive was a developmental driver. We couldn't handle the profit motive. Our Congress couldn't handle the profit motive. It was not appropriate for somebody to get rich off an AID program, and the notion that people can't make money out of an AID project is ridiculous, because if people can't make money out of these projects, they're not going to happen. It's simple. We managed to destroy the momentum of any significant U.S. contribution to global development by getting hung up on who was making money out of the deal, and we're still hung up. In this we routinely ignore the way our own economy works. We've reduced our contributions to charity. That serves, as I said earlier, a biological need but not a developmental need. Pardon me, but I feel strongly about this almost inexplicable blindness of U.S. officialdom, much of the media, and large parts of the public where foreign assistance is concerned.

Q: Oh, no, no, no. You come away with this feeling at that point, you and your colleagues. What you learned there, were there any formulae or approaches that you found useful later on?

ARNOLD: Formulae I shy away from, because that imputes more rigor to the process than I think the case would allow. But useful concepts, yes, I would say we came away from the experience with a lot of useful concepts, not concepts that Foreign Service and AID Service people generally were able to sell to the Congress and to the public. They got battered down by the popular conception which our media promoted that these bloated autocrats in foreign countries were making money off our AID contributions and they shouldn't be able to do that. So we retreated from infrastructure development, and by retreating from infrastructure development we ended up growing food for people hand to mouth, and we are still there. I mean, we're very close to still there. We still look for miracle crops, and happily we've been miraculous enough in that field to increase our population by 50 percent since you and I came along, maybe more.

Q: If that's a good thing.

ARNOLD: I don't know.

Q: While I'm at it, I try to grab a little social history. Let's talk about your impression - and here you are, you've been watching societies in other parts of the world, so I'm sure that the academic undergraduate, just-graduate level Americana was as interesting as maybe the Parsi in Calcutta. What were you observing of how the Free Speech Movement and the onlookers and supporters of this operated?

ARNOLD: There were a couple of things about that experience. You'll find it written up in the forward to my book, the one called The Violence Formula. I wrote up the Berkeley experience. The problem I was having was there was a significant lack of contact with reality in that group. They started by not having a very clear view on how our own system was supposed to work. It seemed to me that flowing out of this kind of protest and the aftermath of it we began to move away from the notion of majority rule and government by that kind of consensus process. We are now into something else the precise nature of which is a little difficult to define. But we are not in categorical acceptance of majority rule as we once were. That's a significant problem for democracy, and we haven't solved it.

Q: You're talking about the use of demonstrations and threats oviolence and the whole thing to get one's way.

ARNOLD: I'm talking about coercion by a minority, whatever that minority is, for whatever reason. The Free Speech Movement was not about free speech, it was about having your own way.

Q: While you were seeing this, this was on the ground?

ARNOLD: This was on the ground in Berkeley, and that's why I spent so much time out there on the fringes of their parties listening to what they said and watching how they behaved. Not everybody on that campus was involved, far from it. I mean, that campus had more than 30,000 students at the time, and I think the movement may have gotten up to ten percent of that. The rest of the campus was doing what it was there to do and very seriously, studying what it was there to study. But the movement launched itself from that campus. I've talked to a number of people who grew out of that experience since that time, and I interviewed some of them for the Violence Formula. I interviewed some of them who went into Students for a Democratic Society and then broke with that when it evolved into the Weather Underground. I was pursuing a particular line of inquiry with them: Why did you leave the movement when it shifted toward violence? Their replies told me that those who left were well grounded or centered. They knew what they were doing. They knew what they were seeing. Violence did not work for them. They didn't want that. This is a pattern that pushes the hard liners toward the extremes.

Q: Did you find, say, the assistant or associate professors, younger professors sort of forgetting they were professors and having fun with students and all that?

ARNOLD: Well, a few of them were. There weren't any old-timers on the platform. The most interesting old-timer on that campus was a longshoreman who had written a book called The True Believer, Eric Hoffer.

Q: He came and talked to us at the senior seminar, I remember, bacin the '70s.

ARNOLD: Well, he was on that campus at that time. I had already read his book and I got acquainted with him - interesting character, interesting concept.

Q: What was this all about?

ARNOLD: This was all about war really, and not going to war in a cause that you didn't support. And that has a high order of validity in principle. The movement got out of hand because they didn't know how to express it beyond the initial message, I think. They didn't know how to make their convictions felt except by screaming - never a very practical strategy. I saw a more thoughtful and serious attempt to deal with those issues when I arrived at the National War College in '69-'70.

Q: There is the other thing: this is California. Somebody once remarked to Harry Truman, or Harry Truman remarked when he went to a Democratic Convention in Los Angeles, he said, "If you tilt the United States on the side, everything loose will end up in California." One does have the feeling. This was a particular mix of people, a certain amount of lay-abouts and odd people and all that, too; or was this deeper than that?

ARNOLD: Well, it's complex. In general, one of the themes that I strike in speeches I make on violence in society is at least up to now we don't have very good tools for either assessing the seriousness of accumulated anger and frustration or downloading those when we encounter them in egregious orders. The metaphor for that in current parlance is 'road rage'. I know one driver who won't drive because he doesn't know how to cope with the road rage that he acquires when he gets behind the wheel. He's smarter than most. He just won't drive. But one of the features of the free speech movement and the movement across the country that flowed out of that was the wholly unrelated sources of anger and frustration and discontent just got rolled into the behavior pattern. I think the aggregates of disaffection and discontent never really got very closely examined for what was involved and what might be the remedy or remedies for it. But the Vietnam War became a convenient kind of focus for a whole host of problems that people never really examined carefully.

Q: It seemed like the Vietnam War concentrated, because it waimpacting on young people.

ARNOLD: Yes, it was, and it was forcing them to take positions osubjects where they were not too terribly well prepared.

Q: But one of the things that struck me as a former Foreign Service officer was that you had these movements - in Italy the Red Brigades, in Germany the Bader Meinhof and other groups - you had these ones where there seemed to be a philosophy behind it; and in the United States we with few exceptions have not developed something that catches. You know, there's a philosophical grounding or something for violence, a movement. We don't seem to have this type of person.

ARNOLD: Well, that was a category of terrorist, of political violent people, the ones that became known as advocates of armed struggle. Armed struggle was represented by the Red Army Faction and Bader Meinhof in Germany, by Action Directe in France, by the Red Brigade in Italy, by Weather Underground in the United States, by the Japanese Red Army in Japan. Those groups were in the category of armed struggle, meaning they wanted the system changed. They didn't know how they wanted society to turn out; they were just in the tear-down mode and they never got beyond the tear-down mode. They still haven't gotten beyond the tear-down mode, but most other terrorist groups were not structured that way at all. They had specific goals, real complaints, and they wanted real remediation - a different set of situations entirely.

Q: We're trying to talk to this time and capture this period, but it seems as though Americans don't get as caught up in the sort of philosophical absolutes that some of the Europeans get and others, you know, like Japanese. They seem to have more of a bientel philosophy, and Americans might get mad and go out and do something, but you don't seem to have a sort of philosophical underpinning.

ARNOLD: You have to be careful with that, because we have phenomena now that are very much of that type. If you look at groups like Christian Identity, like the various hard-right militia organizations - and there are quite a few of those, maybe 400 or 500 around the United states - the reason they are in the particular corners they are in is philosophical difference with the rest of the society, I mean important philosophical differences. You can say, for example, that the hard right of Christianity in the United States is basically the last hold-out of white male dominance in the sense that women are subordinate and all other colors are inferior. How do you deal with that? Philosophically you've got to have some pretty strong arguments to keep yourself isolated, so these guys are playing that game, but they're not a majority by any means. They're small, little, isolated groups, so I hope they stay that way. We have lost our thread. Berkeley was a very important experience, and it triggered all of this.

Q: Oh yes. Well now, in '65 you went where?

ARNOLD: I went to the Bureau of Economic Affairs, not yet EB, and into a job in the Food Policy Division.

Q: You were there from '65 to...

ARNOLD: To '69.

Q: Was Frances Wilson there at that time?

ARNOLD: Very much so. Frances did an awful lot to help me througthat experience.

Q: Could you talk a little about Frances Wilson again.

ARNOLD: Well, you know she was administration for that Bureau, and she ran the Bureau with a certain knowledgeability, meaning she usually knew who was who and what they were doing pretty much in their areas.

Q: She knew her stable.

ARNOLD: She knew her stable. She had some strong people with her. The key Assistant Secretary through that period was Anthony Solomon, and Tony was a superb manager for the economic functions of the Department. He had the mental capacity to do it. That was in a period when we were doing hard stuff in oil, hard stuff in aviation, hard stuff in mining, hard stuff in food policy. Look at the economic landscape, and we had problems everywhere - a good time to grow, by the way, I would have to say. And my counterparts grew.

Q: I'm so sorry she's not with us when I started this thing, but Frances Wilson is a name that comes up again and again with people who were involved in the economic field about somebody who was a civil servant in Personnel - which sounds, you know, like what the hell is this, so way out there - who was extremely important in developing a whole generation, or several generations, of strong economic officers.

ARNOLD: She was very good, and let me give you an example of that in my own experience with her. We were just getting into computers, you know, in that period. The Department of Agriculture had an enormous need for good statistical data on a broad range of commodity subjects, and the Department had bought the computer systems to do it. They had a whole basement of them at a time when supercomputers and high-speed tapes and all that stuff were just coming along. But there were only limited opportunities for us to get into computation on them. I discovered a New York based computer time-sharing organization. I went to Frances and said I would like very much to bring in at least one terminal here and begin to do some experimentation with this equipment. And it didn't take her long. She just decided, "Where would we put it?" And I said, well, it should be somewhere where it's accessible to any of us who might want to try to use it. And we ended up putting it in a small office right alongside of Tony Solomon in the front office of E. But we did bring it in and we started from that. That was our first computer in the E Bureau, time-sharing with a New York based mainframe. But she saw the opportunity to engage us, I think, more than she saw the beauty of computation. As she saw it, the capability was in the interest of the Bureau to acquaint the new generation of economic officers with the kind of equipment that was becoming available. I think that was her whole attitude on the subject.

Q: It's a really remarkable success story, sort of an unsung heroinin the State Department.

ARNOLD: Well, it's interesting. You looked for subject matter intellectual leaders such as Edward Fried and George Jacobs at the time. When you looked for practical operational leaders, you looked to Frances. I think that's the way the Bureau ran.

Q: It was the golden era in a way. Well now, let's talk about '65 to '69. You were what, dealing with food policy?

ARNOLD: Mostly food policy.

Q: What does that mean?

ARNOLD: Well, it means that I did a lot of practical problem solving in agricultural subject areas. I had a neat, little foray into Rhodesia policy, because this was a period, you may recall, in which Rhodesia was coming apart.

Q: This was before the UDI?

ARNOLD: This was before UDI. It was coming up on the UDI.

Q: Unilateral Declaration of Independence and such a white-rugovernment, Rhodesia being Zimbabwe.

ARNOLD: Rhodesia, not yet Zimbabwe.

Q: Becoming later.

ARNOLD: And Stanleyville, not Harare. Q: Not Stanleyville.

ARNOLD: Not Stanleyville. What was it?

Q: It will pop in our minds.

ARNOLD: It will, but how did I get into that?

Q: When you were saying 'food policy', you ended up dealing witRhodesia.

ARNOLD: Well, it was agricultural policy, and the agricultural policy issue was the export of leaf tobacco from Rhodesia and its competition with our leaf tobacco exporters, who politically - I can tell you because I got awfully close to them - were powerful. They probably still are but not quite the same anymore. I mean they were a little cabal of very powerful people close to the political leadership in every one of those Southeastern states starting with Virginia, and they pounded my table a lot to get support for controlling the exports of that tobacco. Our leaf exporters wanted those markets in Europe.

Q: Well, what were we doing?

ARNOLD: Talking, what else could we do? We were not going to go twar over this.

Q: By the way, it was not Stanleyville; it was Salisbury.

ARNOLD: Salisbury, right. Thank you. We were looking for ways to be sure we kept the markets traditionally we had had open to U.S. leaf exports and were not going to have them closed as a gesture on the part of governments in Europe, Britain and others for Rhodesian labor.

Q: In other words, they were thinking this might be a way of winning over or influencing what was happening in Rhodesia by making its leaf more accessible or something like that?

ARNOLD: No, the White Rhodesians tried to figure out what to do with it, how to stay in power. And when your key commodity export is tobacco, how do you stay in power and how do you stay economically viable? You look for places to put it and you look for relationships with buyer countries where you can put it, and you begin to compete aggressively with people like the American leaf tobacco exporters.

Q: Were they undercutting?

ARNOLD: Yes, they were, and more or less successfully although thenever put us out of business really.

Q: What other sort of crops or food products?

ARNOLD: Well, the commodity of the moment. We dealt with dairy products and exports of dairy products, imports of dairy products. We dealt with beef. After all, the Aussies and the New Zealanders wanted to export beef to us, and we invented - partially that's the correct term, invented - all sorts of reasons why that should not be so. The Argentines wanted to export beef to us, and we conceded to the point of letting them bring it in cooked and canned because of aftosa and problems like that. International food commodity marketing issues were my bailiwick.

Q: How important was our health screening on this? From your perspective during this time, was this essentially trying to protect the health of the American people, or was this more a tool to keep things out?

ARNOLD: I think that's probably so.

Q: Which?

ARNOLD: Some of each. I think some of the concern about the health issues was legitimate, but I think it was overdriven politically, certainly overdriven in order to protect the market position. Aftosa is an important concern.

Q: Aftosa is hoof and mouth disease?

ARNOLD: Hoof and mouth disease. But we didn't need to quite so vigorously control the import of beef from Argentina because of that, and there are ways of preparing beef for shipment and keeping it so that you should not face a problem with the disease. Actually cooking works quite well.

Q: I would think you would have a very politically impressive coalition during this period between the President from Texas and Vice President from Minnesota. We're talking about dairy and beef.

ARNOLD: The only time I ever ended up in a meeting in the West Wing of the White House where the President was present was on beef. The only time I ever ended up in a session - in fact, it was a session at Blair House - in which the Vice President appeared was on dairy products. So you're right.

Q: How did we handle this? Did we just sort of say, okay, we understand what the politics are and let's do what we can to support the politics, or were we looking at trading in bigger terms than that?

ARNOLD: I think if you were to speak to Tony Solomon, he was balancing all of this out. But one of the things that made E a good bureau was it was quite capable of understanding its constituencies. You see, the Foreign Service has never had a big reputation for understanding its constituencies in the United States. In fact, we've often said we didn't have one. But, believe me, E has constituencies, and it still does, enormous constituencies and powerful ones that have to be attended to. You always struck a balance between the politics of the problem, the economics of it, and the foreign relations of it. I don't know how else you can make decisions. We permitted beef from Australia and New Zealand and dairy products from those places and wine from Australia and beef from Argentina on some scale. We didn't close our market, but we did control access, and that's what it was about politically.

Q: How did you find a place that's always a problem for us in most foreign policy issues, France, when you were dealing with this? Was France a problem?

ARNOLD: France was not a big problem for me. Denmark was more of problem than France, because Denmark got into the dairy area, of course.

Q: Were the chicken wars over by this time?

ARNOLD: The chicken wars were on.

Q: That must have been part of your portfolio.

ARNOLD: Mine or somebody in our group. Fred Sanderson, ouDivision Chief, spent a fair amount of time on the chicken wars.

Q: Did you find yourself going head to head with one of the geographic bureaus by saying, you know, in Africa we have commitments, we've got NATO, or we have other considerations, and you're just screwing us up by not being more forthcoming.

ARNOLD: I think you always have. That's why the building was organized that way it is. I don't think you can just leave it to one individual to be able to do all the homework that's involved and gain an adequate picture of a situation to reach a decision. You're going to have some balancing act that has to be achieved by people who know what they're doing, and that brings a good economist with a good background on leaf tobacco into the room with a good political officer with a good understanding of the relationships with X, Y or Zed market for same, and you work it out. Sure, we did do some head-to-head. We did it on terrorism as well.

Q: Were you able to sort of get out and talk to dairy people anpeople in the industries to get an idea for your own background?

ARNOLD: It was not hard. You can spend time with them. You would get their position. You would get their understanding of their market situation. These are not rocket science issues mostly, but it was easy enough, let's say, to find out what was on somebody's mind and why. Market share is important.

Q: Oh yes. Well, it's the life blood. Sometimes the State Department is accused of putting everything, saying, you know, our political relations are so important that you ignore other relations. We've gone through this. Every time you turn around, it comes up. Was this something you had to fight, the perception that somehow or another we weren't looking after American business interests?

ARNOLD: Oh, it would come up. You live with it. The accusation probably always has a grain of salt somewhere in it in that you're not doing it perfectly. If you were, you would just stand at the border and shoot. So you were compromising. You were bargaining. You were balancing. I only lost one battle completely, and I knew I had lost it the moment I gave the answer to an Italian diplomat. He listened to my report on what was going to happen with this particular case and said, "finito la comedia" - the end of the comedy.

Q: Oh, yes, that's the paliaci.

ARNOLD: And that was correct. We had just stiff-armed them. There was no question about it. And he was right, but so was I. That's an enormously rich learning experience. It has been for many a young officer, it will be, and we produced several notables in that crowd.

Q: In a way it's at the core of what we were about, American interests both political and economic, and running the balance, making judgments, having to deal with Congress, having to deal with your Italian diplomats and other foreigners. It's probably where, as a modern expression, the rubber hits the road.

ARNOLD: It's gotten enormously more complicated since then. We had fewer head-on client relationships in those days than my counterparts would have now. There are more powerful opponents out there than there used to be, with both more at stake and more leverage. It's a tough assignment.

Q: Yes, and it's moved over to the trade representative to a certaiextent, but State still has to carry a lot of the water.

ARNOLD: And actually the transition to STR, the office of the Special Trade Representative is greatly facilitated by one individual named Jules Katz. Jules was one of the key people in E when I was there and for a long time one of the key trade people, so he was the right one to go over and become the professional permanent deputy in STR, and he did that quite well.

Q: He just passed away. I had quite a good interview with him.

ARNOLD: He was good and like his peers at that time a very good trainer.

Q: Well, I think, Terry, this might be a good place to stop at this time. Is there anything more we should talk about on your experiences in the E Bureau in '65 to '69.

ARNOLD: No, I think that pretty covered it. As I say, that was aenormously rich training period.

Q: I imagine it would be. Well, why don't we pick it up next timin 1969 whither?

ARNOLD: Went off to Sri Lanka.

Q: All right. We'll pick that up then.

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This is November 21, 2000. 1969, you went to Sri Lanka. You were iSri Lanka from '69 to...

ARNOLD: '69-'70.

Q: How did you get the assignment to Sri Lanka?

ARNOLD: Well, it came out of the system, because I was not looking for it. The way it came about as it was described to me by the then ambassador, Andrew Corey, was that the Department gave him a list of five names of eligible officers. And they didn't ask me whether I wanted to be on the list; they just gave him the list. And he came back and said, "I'll take that one." His rationale for that was, I presume, private because he never told me exactly why except that he said, "The Department likes you."Q: Was this for what?

ARNOLD: For DCM.

Q: DCM. In those days Sri Lanka was considered to be really garden spot, wasn't it?

ARNOLD: Well, it was. It was not yet Sri Lanka. It was still Ceylon, not for very long after that but it was still. But it was already engaged in some of thSinhala-Tamal problems that have plagued it right up to this very day, the political division between the north and the south particularly.

Q: Could you talk a bit about the political situation in Sri Lankin '69 when you arrived there, political and economic situation.

ARNOLD: Well, the economic situation was still, let me say from my perspective, a very traditional one. You had some remnants of the British Raj still there in relationships to things like tea production and sugar. And those were the big industries. Sri Lanka is still one of the major producers of quality tea. I'm not sure you're an expert on that, but the high-grown teas of Sri Lanka are competitive with the best of Darjeeling and the best of the high country in North Africa. That was an important area. A big business to the extent that that little island could afford it - and I say 'that little island' because it's about the size of West Virginia - was the export to teak. They grew teakwood as a commercial product and had been growing it for some time.

Q: Is it really that renewable?

ARNOLD: It's renewable if you're patient. I think it's 30 or 40 years to get a mature tree, but, you know, that's not radically different from the pulpwood industry in the United States, and we do that all the time. So that was an important business too. And tourism was a good business although not highly developed. There were a couple of prize areas. One was on the west coastal coral-display region called Hikkadua, a coastal resort, fairly primitive but nonetheless pleasant to visit. And on the other side was a place called Blue Lagoon, on the eastern side, a much deeper and a much richer place if you were a diver.

Politically the island was divided in three ways. There was a fairly traditional political organization, the United National Party, UNP, led by Mr. Dudley Sennanaike who was at the time the serving President, and there was shall I say in the terms of the time, a more leftward, somewhat revolutionary, certainly a reform party organization called the Sri Lanka Freedom Party, and that was led by a man named SWRD Bandaranaike, who died and his widow took over the leadership of the party. She and Sennanaike were contending for the leadership of the country at the time that I arrived there. They were going into an election. The third main element was the Tamal population in the north. The Tamals felt disenfranchised and still do feel that way. They had not been brought into the political parties in the main body of the country. That hasn't changed terribly.

Q: As you went out there, what were you getting from the desk, anas you look at it, what were American interests for Ceylon?

ARNOLD: By and large, it was stability of a friendly society in the near vicinity of India. No big interests to speak of there but, you know, we were in the Cold War after all.

Q: Well, they have, I'm told, one of the best natural harbors in thworld there.

ARNOLD: Trinkomalii.

Q: It was used during World War II.

ARNOLD: It was, by both our people and the British particularly.

Q: Was that up for grabs or had it been so outmoded?

ARNOLD: Well, 'up for grabs' is a little hard. You know, it was a far piece from Russia to Trinko, and we were not yet as heavily into the Indian Ocean as we are now. It was of interest but not a vital one as I would have defined it in those days, even recognizing that it was a very fine natural harbor, beautiful place too.

Q: The Japanese came and shelled it once, didn't they, in World Wall?

ARNOLD: That was a major effort on their part. That's a long wafrom Tokyo.

Q: Didn't the Russian fleet come in 190-whatever-it-was for the Battle of Shushima? Didn't they stop there? I know they stopped in Cam Ranh Bay.

ARNOLD: They might have stopped there, but the problem with Trinko, even though it was beloved of the Sri Lankan navy, was that it was not terribly well equipped and certainly was not equipped at the time even for the most current generation of very large tankers that were beginning to emerge in the oil trade.

Q: Well then, let's talk a bit about the embassy and then we'll talk about what was going on. Could you talk about Andrew Corey, his background and how he operated.

ARNOLD: Well, Andrew, first of all, was a bachelor, a perennial and very confirmed bachelor, somewhat anti-female, not quite certain that they should be in the Foreign Service but more or less accepting. He was a graduate of the Montana School of Mines. He was a good geologist, and he and I spent a fair amount of time talking about the geology of Sri Lanka, which is interesting stuff. He was a protï¿½gï¿½, friend and classmate of Mike Mansfield.

Q: Who was at that point the majority leader in the Senate froMontana.

ARNOLD: That's correct, and later became our Ambassador to Japan - and when we come to that, we can talk about that, because I "inspected" him, if anybody ever inspects a senior Senator from Montana. Andrew was very conservative in the sense that I think he had a very strong preferences in Sri Lankan politics as well as in our own.

Q: So he was not for Madam Bandaranaike?

ARNOLD: He did not trust or like Madam Bandaranaike, and I don't know very many foreigners who did. They were sure that she, if she got power, would dismantle the infrastructure that was favorable to foreigners there, which of course she did, as a matter of fact, when she got into power. Dudley, who was a gentle man and very much in command of the United National Party, but all of the leadership of the party were getting long in the tooth including J. R. Jayawardene, who later became the President or Prime Minister. There was a new generation coming along at that time, represented principally by a young man named Premidasa, who was in the Assembly. I accidentally got out on a stumping campaign with him one time in the Muslim areas of the country, and it was kind of fun to watch him work. He became the Prime Minister much later on, and you will recall a lady walked up to him wearing a body bomb and blew them all away.

Q: This was when the Tamil Tigers were striking.

ARNOLD: Again.

Q: Again. What was happening when you arrived? Were the Tamils on their - I suppose you'd tell me if I call it - terrorist campaign at that point?

ARNOLD: No, they were not in the same degree that they were later when I was in the Office of Counterterrorism. They were not that highly organized or necessarily that violent on a regular basis. There were some problems. There was an outburst in Colombo in which a very large slum area was just erased in an overnight fire in a scrap between the Tamils and the Sinhalese. That was the only major demonstration at that time of this conflict, although the area of Jaffna to the north remained kind of out of the picture of leadership in Colombo.

Q: When you got there, what was the Embassy's, political officer's,ambassador's, whatever's, attitude towards the Tamil problem?

ARNOLD: Kind of off in the distance, not one about which we could do very much as we defined our terms, not one that Sinhalese leadership seemed particularly inclined to try to fix - and the Sinhalese were, after all, the majority - an unsatisfying situation but not one that we put any real energy into fixing. As a matter of principle, any assistance that we gave to Sri Lanka - and we did give some assistance to them in those days, we had an AID man - we were very careful not to bestow any of it on the Tamils in the north. That's not the only country in which we have historically made that kind of a distinction. When we get to the Philippines, we can talk about it there and some of the modern-day consequences that are visible on the landscape. They're visible on the landscape in Sri Lanka in that the Tamils do not trust Americans. They have a long history of, so far as they are concerned, being ignored by us.

Q: Did we feel that the Indians with their Tamil connections and their short communications across the water with that area of Sri Lanka, were a factor in muddying the waters or supporting the Tamils?

ARNOLD: Certainly there was always the concern, and from time to time evidence, that Madras state was sympathetic to the Tamils and gave them safe haven and support of one kind or another. No question that some of that was going on. How critical that was to the equation, I would say more than anything else as time went by that it gave the liberation movement a sense that it had a place to hide if it screwed up inside Sri Lanka. If the Tamils had to go to ground somewhere, they could get across the strait, which is quite narrow there, and get to safe haven in Madras.

Q: How did Corey use you as a DCM?

ARNOLD: He was pretty open with me, including being sure that I got personally well introduced to the President and to the Executive Secretary and the others in the regime. That way, it may have been merely personal, but it may have been a habit with him. He wanted to see that I grew with him, and since that was my first political/management post, that was a very important learning curve. It didn't last quite long enough, for reasons that we'll get into.

Q: Did we have a cadre of officer who spoke Sinhalese?

ARNOLD: Not very much Sinhalese spoken there in our group, mainly because the language of street communication for a very large portion of the urban population was English. That was one of the legacies of the Raj. Certainly most business communication was in English. Our embassy was fairly small, but, as embassies are organized, it was complete. We had a political section, an economic section, an Agency back-room group, and a Defense attache. The Defense attache was Navy, which you might expect given that location.

Q: This is '69-'70. The war in Vietnam was - I won't say at its height. In fact, the South was doing fairly well. The Tet offensive had knocked the Viet Cong out.

ARNOLD: Nobody back here in the United States seemed to know that, but they had.

Q: Yes, and I was Consul General in Saigon just at this time. Did that play any role, I mean the Vietnam War, for you?

ARNOLD: Well, it was kind of far away. There was an awareness of it. There was always nervousness in that region of the United States getting involved on the mainland in any of those places, you know. But, no, it was not a big factor in our situation in Sri Lanka nor in the way we were dealt with while we were there.

Q: How about the Indian Embassy? Did they have much of a role ithere? Were they involved?

ARNOLD: Involved in the usual diplomatic way, yes, but I would say not any more than the Russians. The Russians had an embassy about comparable to ours, and in fact the Russian Ambassador and I kind of hit it off with each other, which was interesting.

Q: Was the election during your time?

ARNOLD: Yes indeed.

Q: How did it go?

ARNOLD: The run-up to the election was during the first six months of my time there, and the election for Terry Arnold turned out badly, because one of our missions, of course, was to predict with reasonable accuracy who was going to win, and the advance info was not quite as close as it has been here for some time, but it was very hard to call it. The preference was, of course, that Sennanaike win and continue the United National Party in leadership. But in the midst of that run-up to the election, the Department of State decided it was time for Andrew Corey to retire. So they brought him home, and they retired him because he was 62 years old. Then they brought in a man who was 68 year old to be our new Ambassador, a political appointee by the name of Robert Strausz-Hupe. That was his first of a series of assignments.

Q: Something like five or six. Strausz-Hupe has a certaireputation around, particularly in his earlier days.

ARNOLD: It's well deserved.

Q: Could you talk about him?

ARNOLD: Well, I received him under difficult circumstances in two regards. I was chargï¿½ at that time clearly through the period of the election. He started out in my direction from Washington and developed a tooth infection, and he stopped in Greece. Of course, since he was Ambassador-designate to Sri Lanka, the Embassy took very good care of him and the Ambassador took him in and lectured him on how to deal with his DCM in Sri Lanka.

Q: Was this Henry Tasca at the time?

ARNOLD: Yes, and Robert was unhappy that he had not been in Sri Lanka at the time of the election, but he was even unhappier that I had lost the election, and he made no bones that this was my problem.

Q: Tell how the election came.

ARNOLD: The election came out that Madam Bandaranaike won handily, and the party in power changed. I wasn't there long enough to see where it was going, but I think most people could have reasonably predicted where it was headed for that period. Robert, to say the least, was sore embarrassed by the fact that we had miscalled that election.

Q: We had said that the other party would win.

ARNOLD: We had said it was close, but we still thought the UNP had a slight edge, and we were wrong. No question about that. You know, history won't let you down on that.

Q: No, no. Looking in retrospect, to just sort of pass on the words of wisdom, can you figure what maybe had gone wrong in your prediction, or was it just events overtook you?

ARNOLD: I think mainly what went wrong with our prediction is what frequently goes wrong with our predictions in foreign countries: we're not close enough to the ground. And we were not close enough to the ground there. We - I mean our information service, our political, our economic, our agency and our military - we were just not close enough to the ground. We were too completely taken up with events in and around Colombo, and we were too closely plugged into the hierarchy. That's not the first or the last time.

Q: Oh, no, no.

ARNOLD: And I would put it right there. Had we gotten out and about and listened with an ear to the ground in some of the outlying regions, especially to the south, we would have learned more than we knew and we might not have called it quite the way we did.

Q: When Strausz-Hupe came, did he sort of light into you right away?

ARNOLD: He made it perfectly clear that he didn't like the way that had turned out, and he basically harassed me to the point where I had to leave.

Q: It was his prerogative in a way to say, "I want a different DCM." ARNOLD: Of course.

Q: But he didn't do it that way?

ARNOLD: Well, he did eventually, but I also asked to be lifted ouof there.

Q: Well, this must have been pretty uncomfortable for you.

ARNOLD: Very uncomfortable.

Q: In what manner did this take place?

ARNOLD: You mean how did he shut me out of his operation?

Q: Yes.

ARNOLD: Precisely that way. He shut me out of his operation.

Q: He just didn't talk to you?

ARNOLD: I was not in the loop on key contacts or anything of that sort, and I had some excellent friends there, most of them in the then out party but people who were very knowledgeable about what was going on, including the Russian Ambassador.

Q: What did you do, just tell the Department, "Get me the hell ouof here."

ARNOLD: There were two different streams going there. I think he said, "Get him the hell out of here," and I said, "I want to come home." And I left on consultation, because I left my wife there. What the Department did about that was very good from my point of view. First of all, the Desk Officer was Peter Burleigh, and Peter had a very clear view of what was going on. But I had some excellent friends in the Department, among them Joe Sisco and Roy Atherton, people like that.

Q: At that point this is the Near Eastern Bureau that included thSubcontinent.

ARNOLD: Yes. So that what happened, happily from my point of view, was the Department folded itself neatly around me, sent me to the War College for a year, and then Hank Byroade picked me as his economic commercial counselor in Manila, and I was back on track.

Q: Let's talk a little about the War College. You were there when?

ARNOLD: '70-'71.

Q: '70-'71.

ARNOLD: A very critical time at the War College.

Q: We were undergoing all sorts of problems of whither Vietnam and all that, and you were in the heart of the military. Were you getting courses all pretty well centered on Vietnam?

ARNOLD: Well, we had a lot of debate on Vietnam. We had a curriculum that included a fair amount of live warfare discussions of what was going on in Vietnam. But the debate in the War College that was rampant at that time was a debate that went on for some time thereafter. It was still a very much alive debate when I arrived back at the War College as Vice Commandant in 1980. That debate centered on the issues of when and under what conditions, especially of public interest and confidence, our military go to war. My peers in that class were part of the next generation of leaders, the colonels and commanders of the services, and the GS-15s and 16s of the Civil Service group. Their appreciation was that we cannot and should not go to war in circumstances where we lack public support. Their reading was we were not losing the Vietnam War. We were giving the Vietnam War away because of public disaffection and disinterest. I found that assessment was even stronger when I got back ten years later for the second round of life with the next generation of senior military officers. We had a constant set of reminders in the class, because we had three former POWs in our class and we got a fair sense of the kind of problems that they faced as prisoners of war in that situation. But it was a bitter kind of examination by officers who had fought out there. Some of them, others who had been in the command system, in the field or in DOD, had watched what happened to promising careers and to very positive psyches. They blamed those misfortunes on engagement in an unpopular war, an actively unpopular war - let's put it that way. By the time we got to the early 1980s and that next generation, those officers - a sampling of the classes of 81, 82 and 83, had arrived at a policy position that we should never go to war without public support and we should be assiduous in determining whether or not we have it and can sustain it. That's a pretty horrendous restraint on any warlike tendency you might have.

Q: It in a way calls into question the need to have a large militarif you only have one enemy and if that enemy goes.

ARNOLD: But in that respect also the rules of the game were changing, and it was perfectly clear with my student peers there, as with my student charges in the second round, that the nature of warfare was changing and the nature of global animosities was also shifting at that time. The Soviet Union hadn't quite become the evil empire in collapse at that stage, but it was clearly well on its way. It was more and more obvious that the Reagan investment in military preparedness far exceeded Russian capability, and something was going to have to give. But still they were big, they were potent in a critical sense of having very large numbers of nuclear weapons, and we could never be sure that they would retain rationality through all kind of challenges. So that was a concern.

Q: They had a large, well-equipped army and a very large navy.

ARNOLD: Yes. At least on the face of things. How well it would havperformed in battle was never tested, but there it was.

Q: And one had to at that time assume it would perform well. Yocan't assume a military won't perform well.

ARNOLD: No, you can't. But what did show up increasingly over time was the lack of effective training, and I think the lack of effective training most egregiously showed up in the bottom of the North Sea not too long ago.

Q: You're talking about the sinking of the submarine Kerst?

ARNOLD: Right.

Q: There are two things that often happen at the War College. One is that the State Department people are a resource and explain the political - well, the diplomatic role, the international role, the complexities there - to the military. But the other one is our Foreign Service officers assigned to the War College are getting a feel for the professionalism and personalities of our coming military leaders. What were you getting out of this?

ARNOLD: Well, I was getting a fair amount of that in the two different experiences at the War College as a student in the War College and as a department head. As a student there was no question that our interactions were among the prime purposes of the experience. We were Army, Navy, Marine Corps, Air Force and civilian, and equal slices of each. What we had in the civilian cadre was a crosscut of the national security agencies - State, AID, Commerce, CIA, NSA, etc., a good slice of the civil elements of the national security community. Within those groups, you had combat people and you had command people and you had national security management people, so that we were quite a mix. It was within that framework that we examined such issues as when and where to engage militarily. We reinforced our judgments with ideas that are much older than we - Clausewitzian in origin - that war is policy pursued by other means. People don't tend to think of it that way, but force is a diplomatic tool, the threat of force, the use of force. This was part of the lesson that class took away from the War College. One of the things we were watching with great interest was Japan. Japan had at that point only a so-called self-defense force. In fact, I wrote my paper in 1971 for that class on the Japanese self-defense forces. They were then under the command of someone who later became Prime Minister, Yasuhiro Nakasone. We were interested in where the Japanese were going with the problem of their own defense in a world in which in significant ways already the United States was pulling back from large commitments. The defensive umbrella was growing smaller. The Japanese were not reacting to that significantly then. Whether they will now remains to be seen, because they haven't really reacted terribly much to it up to now 30 years later.

Q: How did you get in contact with Byroade and how did you get outo the Philippines?

ARNOLD: Byroade came to me. He was appointed out there as Ambassador, and he was in Washington at the time. He went shopping around for his own team and he built it before he ever left town. He got me as his economic commercial counselor; one of my classmates, Frank Ready, as his administrative counselor. He just picked his people and went out. He did a good job in putting it together, I think.

Q: You were in the Philippines from '70 to...?

ARNOLD: '71 to '76.

Q: First, why don't we talk about Henry Byroade as Ambassador. He had been ambassador to a number of places, Burma, South Africa, Cairo before that.

ARNOLD: Afghanistan.

Q: Afghanistan. He was the youngest general in the Army at onpoint.

ARNOLD: As a Brigadier, closely associated with Clare Chenault, then flying the hump. He was a striking character, interesting character, I found.

Q: How did he operate in the Philippines?

ARNOLD: Hank was of the old-boy network system for managing any problem, and that's just the way he had grown up. He plugged himself very successfully into the old boy net in the Philippines. That means he got very closely acquainted with Juan Ponce Enrile, Ninoy Aquino, President Marcos, Marcos' Executive Secretary Alex Melchor, and name the cluster that was in power at that time. He knew them all. He worked, I think, quite successfully with all of them in the sense of a personal, easy-access kind of set of relationships. He encouraged his staff to do that too, and he turned the whole set of economic ministries over to me, the Central Bank, Finance, Industry, Planning, Mining, all of that was my stuff.

Q: During this time, when you arrived in '71, what was the situatiopolitically and economically in the Philippines?

ARNOLD: Well, economically we were coming up on termination of the Laurel-Langley Agreement. This was 1971. American business was still very strong. It was still viewed legally under the terms of the Laurel-Langley Agreement as equal to and treated like the Filipino business community. There were lots of American businesses there that found the situation advantageous and indeed did enjoy a considerable parity in their relationships. The big issue on the table and one of the things that Hank invited me out there to do was get us through the Laurel-Langley transition from that period in which we had this equal status for American business into whatever would be the future. I worked on that right up through the transition, and we can talk about that as an issue. The economy was growing in some important respects. There were interests in mining - for example, nickel on a little island down to the north of Mindanao called Nonoc, petroleum in the offshore areas along the side of the western, that is the China Sea side of the island of Palawan. There was continuing interest in gold mining, especially in the upper regions of Luzon around the city of Baguio, and a lot of growing interest in commercial import markets for motor vehicles and so on. There were also interests in co-ventures to produce these things in the Philippines. The Philippine labor force was very good and still is.

Q: Politically?

ARNOLD: Politically convoluted. Philippine democracy was about to come a cropper in fairly short order. You have to start with a thought about the way the Filipinos have always viewed politics, and it took me a while to catch up with this. The political party system was kind of a mirror image of the American party system, kind of, except that the opposition around Ninoy Aquino were a bit farther left than our Democratic Party here, quite a bit farther left, and the ins were much more traditional old guards than our Republicans are, although some of ours are getting back to that. Cronyism was rampant on both sides of the house, however. The leadership of both parties tended to be an older generation including some who were even second-generation Basque out of Spain or third-generation Basque, the Elizalde Clan for example. The political climate was moving toward two different events. One of these events had precipitated the other. Ferdinand Marcos was coming to the end of his term as President, and under the rules he could not run again. He had contrived a device called a constitutional convention to steal the march on his opponents, and that constitutional convention convened very early after my arrival out there. We were very interested in that constitutional convention. It had both political and economic interest for us. One of the subjects on the agenda was, of course, what would happen after the Laurel-Langley Agreement.

Q: The Laurel-Langley Agreement goes back to when?

ARNOLD: To the '30s. And there, of course, were interests in whawould happen to Clark, Cebu, Subic Naval Base, etc.

Q: These were our bases?

ARNOLD: These were military bases, and Subic, of course, is that other great natural harbor in the region-Manila Bay is one and Subic Bay is the other. All of that was on the table, and we were watching that convention with a good deal of interest. However, many followers of Aquino did not have any faith in the outcome of that process. They saw it for what it was: an attempt to steal a march on the democratic process from the Marcos side. With some fomenting by Aquino supporters, university students were getting very restive. There was an enormous amount of student unrest in that period; some of the demonstrations were quite large.

Q: You were standing on the...

ARNOLD: On several occasions we stood on top of the Embassy watching a major demonstration in the main square, Plaza Miranda. Thousands of students were involved, and the Embassy was surrounded several times. There was no way we could go anywhere except by water. I don't know whether you know that Embassy, but it backs right up on Manila Bay. So we could have gone out by water had there been a big requirement. We were not in any jeopardy. We were just trapped. That kind of thing went on to the point where in a political rally in Plaza Miranda there were hand grenades thrown. A number of liberal party people were killed and wounded, and Marcos used the occasion to declare martial law, shutting down the democratic process. It stayed shut down for quite a few years after that until CorazoAquino, Ninoy Aquino's widow, actually became the next president.

Q: What was our attitude about this? Obviously the United Statewas a major player there.

ARNOLD: The United States was a major player. We had the most elaborate diplomatic, military, and foreign assistance structure that we probably had anywhere else in the world at that time. We had a very large AID mission, and I do mean large. We had an Asian Development Bank contingent there. We had a joint U.S./Philippine military group. We had the military commands of the 13th Air Force and CINCPAC Phil. We were all over that map. I think if you had taken a vote in the middle of that era, the Philippines would have voted to be the 51st U.S. state, no question about it.

Q: With martial law, were there debates within the country team or other places about how we should respond to this and to the Marcos rule, or even prior to declaring it?

ARNOLD: I think we were looking for do-able ways to walk him back from that if that were possible and get him to recognize that there was a requirement to legitimate the regime. That did not happen on our watch out there at all. Hank came back home. Bill Sullivan came out and came home, and Marcos was still in power. After all, we had enormous interests in that country at that time. We were fighting an active military engagement in Vietnam. We had critical military needs for the support functions of Clark and Subic and for the supply utility of being able to operate with reasonable freedom through Manila. It was, therefore, important that whatever we did respecting the status of democracy in the Philippines, we did not unduly rock the boat on those interests. That was the attitude.

Q: Well, in a way it seems to parallel a bit the way we were lookinat the Diem and later the True regimes in South Vietnam.

ARNOLD: I think there's some merit in that.

Q: Were the American media, Congress or anything else focusing othis, or did you feel much pressure about the time of martial law?

ARNOLD: How do you mean focusing on it: focusing on it from thpoint of view of trying to get it changed?

Q: Trying to get it changed. In other words, pointing out that the United States is not supporting democracy and that sort of thing. I'm talking about the media and Congress.

ARNOLD: I think for a significant period of time after the declaration of martial law, both the Philippine people in general and most observers felt that martial law was a good thing, because the country was under control. The abuses of power that later emerged had not yet emerged, the especially predatory nature of Imelda Marcos, and the people, the cronies, around both of them had not become quite so blatant. There was peace in the realm, you know, and peace in the realm looked like a pretty good thing altogether. We did not have to deal with confrontational politics in the Philippines in a period in which we had an ongoing war off to the west, so it was not a bad situation from our point of view to have a reasonably successful and moderately benevolent autocrat in charge. It didn't seem a bad thing altogether at that time, but it began to change before I left.

Q: More at a later point, but were you seeing the hand of the Marcoses in trying to envelop the upper reaches of the Embassy, getting them involved in the society and all that? Was this a concern?

ARNOLD: Well, I don't know so much that it was a concern. Our people there were very savvy about what was going on and they were also very savvy about the interests and the motivations of the Marcoses. We knew that the easy access we had to all those people had a purpose from the other side, and we were not taking in by it. I learned that one of my best ways to communicate with the upper leadership was to talk too much on a telephone. In fact, I used that two or three times to put a message across and just let the security people give it to the President. Why not if you know it works?

Q: I'm speaking as a consular officer. Laurie Lawrence was a goofriend of mine.

ARNOLD: Dave Betz was there later too.

Q: Actually Dave Betz and I took the Foreign Service exam together in Frankfort in 1954. I was an enlisted man, and he was a West Point 1st lieutenant, I think.

ARNOLD: I enjoyed working with both these guys. Of course, they were very different personalities, but both very good with the consular work they did.

Q: I would imagine as economic counselor you would have had to hava system in order to deal with immigration visa requests.

ARNOLD: Oh, Laurie and I had a working relationship, and so did Dave, because we did need to stay together on these problems, and more on the economic side than on the political side. The officers of the mission do have to stay together around the people movement issues, but we knew how to handle it. I never made any promises at all.

Q: How did you work this?

ARNOLD: Laurie and I and David and I had the same agreement. "I will not give anybody anything except I will refer them to you, but I won't make any concessions of a consular nature to my clients." And I observed those rules as Consul General in Sao Paulo. I would not hinder my consular officer. My consular officer was a very good one, by the way, by the name of Marilyn Povenmeyer, who became Consul General in London. That's just the way it has to be worked, and we have a lot of trouble when people don't see that.

Q: How about the issue of corruption?

ARNOLD: Oh my. That was a growing problem for us, especially from the moment the constitutional convention process began and after martial law was declared. First of all, the corrupt practices became more and more evident. One of the things that happens to you if you're standing out there in the public light all by yourself, as the Marcoses were, is there are no secrets, and we could see what Kokoy Romualdes and Imelda were doing. We could see what the old buddies, Bobby Benedicto and Johnny Punce Enrile and others, were doing around Ferdinand, and we had the picture pretty clear. We had to describe it with some clarity to American businessmen who came through, among other things looking at the possibility to build nuclear power plants and other infrastructures projects. The leadership was on the take around any project of that sort. Bobby Benedicto particularly ran the sugar business for Marcos; and by running the sugar business, I mean run the sugar export business, which is a big item in the whole international accounts of that country.

Q: Did that get you involved with political interests in Louisianand all that?

ARNOLD: Well, it got us involved in action/interaction patterns with American interests in all of these subject areas, and we spent a lot of interview time in my economic commercial team - I had a large one and some very good specialists and very good young people in that team, and they all had to work it. They had to work constantly at informing the community.

Q: Was there a problem of saying to American business people who came there. The ones that had been there for a long time knew how to get along in the atmosphere.

ARNOLD: They never asked you.

Q: They never asked, and probably just as well. But I'm talking about the new players that came in and talked about it, where I assume, in order to make things run, there had to be payoffs.

ARNOLD: There were fees, payoffs, finders' fees, whatever you chose to call them, baksheesh in the Indian parlance, yes. And one of those got me into court even after I left there, quite a few years later, after Corey Aquino came into power. Several interesting things happened around that subject, and we can defer that a little bit, because I would like to talk a bit more about Laurel-Langley. We had sporadic negotiations with the Philippine leadership on that subject right up through July 1974, which was the expiration of the Laurel-Langley Agreement. In June, having struggled with this all the way through trying to figure out how we were going to get a handle on the status of American business in the Philippines, I concluded that we were not going to go out of the Laurel-Langley Agreement with any new agreement in place. Among other things we probably would have to fall to the more traditional rules, the most favored nation and like relationships, but we were not going to have a special relationship for American business.

I reported that conclusion in a speech to the American Chamber of Commerce: "Therefore, what I'm going to say to you all right now" - and our Ambassador, Bill Sullivan, was in the room - "what I'm going to say to you right now is that I can picture a world after July 1974 that is not noticeably different from the way it is right now, except that the Laurel-Langley Agreement will no longer be in effect. Businessmen will be hard-pressed to make their own working arrangements with their counterparts in this country." And Bill Sullivan came up to me afterward and said, "I finally saw where you were trying to go." I was putting them fully on the alert that the rules of the game were their problem more than ours in any specific business transaction that they had to get into.

In that very last year or so in Manila, an example of the corruption visited itself on me pretty firmly. The Philippine leadership, Alejandro Melchor, who was the Executive Secretary to Marcos, was looking to get a nuclear power plant out on the Bataan Peninsula, and he asked for my help in getting U.S. companies to come in and bid on the project. I got the invitation out. One major company, Westinghouse, came in and submitted a bid. I didn't like the idea of just one American company coming in and doing that. I invited GE, and GE took me up on it and came in and put in a bid. The bid went to Westinghouse, and GE's complaint to me was it was bought and paid for. Well, there was not much I could say on that subject knowing the environment. I had to assume that something had transpired. A few years later I was contacted by a Washington law firm and asked if I would be prepared to appear in a hearing on the subject of Westinghouse payment of a bribe to Ferdinand Marcos to get that power plant. I said I don't know what I can contribute, but I can certainly appear. This was part of Corey Aquino's effort to look around the world and get back some of the country's money. There's another story on that.

They sent me to Switzerland, to Geneva, and I appeared in a tribunal there and answered questions on the subject of how business was done in the Philippines. And then I was invited, subpoenaed as a matter of fact, to appear in court in New Jersey and address the same sort of issues in front of a jury. The jury listened to me very carefully, I must say attentively, when I told them how business was done in Manila, and ultimately, although I was not present for the way that verdict came out precisely, Westinghouse gave the Philippine government $20,000,000 in, shall I call it, a refund.

Q: While you were giving this testimony, was the State Departmenall atwitter?

ARNOLD: No, I asked the State Department whether they had any problem with my testifying, and they said not on the evidence that I knew, not at all, and they did not send anybody to observe.

Q: Did you ever get involved in sort of trade disputes of American firms at a much lower level saying, you know, "Company A paid a bribe and therefore I'm being deprived. Do something to help me," and that sort of thing?

ARNOLD: I think there was no way in that setting - and in other settings, I'm sure, where I didn't serve but I was aware of - no way you could avoid getting those complaints. If you were doing your job on any significant bid that was let by a government or business in that country, you tried to get American companies interested in that. From time to time you would get the kind of response that I got out of GE after that contract was let, that it was all rigged and they didn't have a chance.

Q: What about in a place like that where at least the United State- we didn't have a corrupt practices law, did we, at that time?

ARNOLD: How do you mean by that?

Q: Well, I mean a law that you can't buy.

ARNOLD: Well, yes, we did. We had legislation on the books, the Foreign Corrupt Practices Act. We were aware of it, and so were businesses aware of it.

Q: I would think that you'd run across - the problem certainly was prevalent until quite recently anyway, if not still going, where particularly French, German, maybe even British firms were out there competing with American firms and they didn't have the same constraints.

ARNOLD: That's quite right, and we got complaints about that too. "You send us to jail or withdraw our whatever, and these other guys go in there and just pay and walk away with the business." It's unfair competition, indeed it is.

Q: Things are changing now, aren't they? We were the initiator osomething which is now much more accepted on an international basis.

ARNOLD: My last chapter in the Philippines came when Ferdinand anImelda left the country on their way to Hawaii.

Q: This was much later, wasn't it?

ARNOLD: Yes, it was. And I received a call very late at night.

Q: This would be when, the mid-'80s?

ARNOLD: Yes, we hadn't left Washington yet. It was '84 I guess. I received a call from a major Washington law firm asking if I would come down and join them in a discussion of how to find a safe haven for Ferdinand. I went down - and I must say they were paying me very well for my time in the middle of the night, as indeed they should have, because it was 11 to three AM or something like that - and we talked through the problem, and they asked me, "What do you think we should do here in order to get him a place to go?" I said, "Why don't you convince him to let the government find most of the money?" They said, "Oh, we can't do that," and I said, "Well, if you don't do that, they're going to harass him from here to the end of time. Take it as a given, they're going to follow anywhere he goes, as they should, because he and his family have stolen an enormous amount of money. If the Marcoses want peace, let the government find the money." "No, no, we're not going to recommend that. We've got it all set up so that he's going to go into Panama and arrive at a safe haven down there." I asked, "How was that arranged?" They said, "Well, we contacted the President down there and we worked a deal." And I said, "Do the people of Panama know anything about this?" "No, the attorney said." I said, "Well, when they find out, you're dead in the water. You watch." They found out the next day, and the deal fell through. So I got well paid for my advice, but they didn't care for it.

Q: One last thing on the Philippines. Maybe there is something else, but you were there during the fall of Saigon and all that. Can we talk about that?

ARNOLD: We were, and that was an interesting period.

Q: This is April 1975, I guess.

ARNOLD: That's correct. This was leave time for our Ambassador and DCM. Bill Sullivan was there, but Skip Purnell was on home leave and I was acting DCM at that stage. We were watching, of course, the unraveling on the Vietnam side with great attention. I was sitting at my desk late one evening in the Embassy when a message came in to me from the back room. The North Vietnamese had started shelling Ton Son Nhut. I picked up the phone and called Bill and said, "Bill the North Vietnamese are shelling Ton Son Nhut." He said, "That's the end of it all. We've got to get ready for people coming in here." And that's what we did, of course. The Embassy was being evacuated at that time. Were you there?

Q: No, I wasn't. We're talking about the Saigon Embassy?

ARNOLD: Yes. Among the ways that people got out of there: Ambassador Graham Martin and his wife and the poor leadership that was left of the regime came out on a U.S. cruiser, the Blue Ridge.

Q: Command ship.

ARNOLD: Command ship. They came to Subic, and Bill Sullivan decided that I was the official Embassy welcoming party, so my wife and I went and took Graham Martin and his wife off the vessel, took them to Baguio to a nice quiet safe house we had up there and spent a long weekend with them to let them unwind before they ever had to face the public - a great courtesy to them really.

Q: Yes. Graham Martin now is dead, and they really kept very quieabout it. What was your impression of how he was taking this?

ARNOLD: Well, if I were to describe it across the spectrum, first of all, he was very contained about all of this. There were no complaints in his soul, I don't think. He was very disappointed that the whole process had turned out the way it had, but he was aware that there was very little he or anyone in that mission could have done to make it turn out differently. I think mainly what he wanted to do was to get out of there and get home and get into a quiet place somewhere.

Q: North Carolina, I think.

ARNOLD: We sympathized with him and his wife. And that's why we were so happy we had that nice, quiet place on top of the mountain where we could just take them to ground and spend some time with them.

Q: You just locked out the press and all? ARNOLD: We locked everybody out. Nobody even knew where he was.

Q: Prior to this, had the Embassy and the military been prepared fothis?

ARNOLD: Oh, I think so. I think we'd been prepared for it in a variety of ways, and we had looked kind of over the shoulder of the military, notably the 13th Air Force, at such things as the effort to release POWs. Do you remember that? Our 13th Air Force and others mounted a rescue attempt that went into North Vietnam, to a camp at Sontay. They got in there and there was nobody in the prison camp. Something had gone awry. I had a talk with General Roy Manor about that after the event. He was persuaded, as were we, that something had leaked somehow, but it had been a perfectly executed mission, not like Desert One. It had gone off without a hitch except that we had nothing to show for it.

Q: As Da Nang was going through its time of agony, did you at the Embassy say, "Okay, let's get ready?" Did you have plans for reception, and were you dealing with the military and the Philippine government on this?

ARNOLD: We were doing that. I didn't like the way we came out on it. We used our facility at Subic to receive the civilians and the Embassy people and Americans who came out of there at that stage, and we processed them through Subic and got them out of the country quickly enough. That was all informally but nonetheless very professionally done, I thought. We didn't treat the ordinary Vietnamese evacuees with equal civility - let me put it that way. You may or may not be aware that there's a small island in Subic Bay, right in the middle of the bay, in the entrance to the bay, and the Vietnamese evacuees ended up on that island, isolated from the Philippine people and isolated from us. And I've never liked that as an outcome.

Q: Was it sort of force majeur, or were we working with the Philippines? I can understand them not having much problem with Americans coming, because you could say, "Look, they're coming in. We're getting them right out." But when you start talking about Vietnamese, they seem to get very nervous.

ARNOLD: They had a problem politically, and the only answer that we could contrive apparently was that island, put them out in Subic. Phil Habib came out there on a visit at that time. He was Assistant Secretary, you know, for East Asian Affairs. And I toured him around as his escort through that whole visit. The only thing I disliked about that entire tour, because I liked Phil very much, was our helicopter hovering above that island and looking down on those people, and Phil being unwilling to go down and greet them on the ground.

Q: He had served in Vietnam too.

ARNOLD: I have no idea what was going through his mind about that situation, and I think he could have constructed it just with the clarity that I did as to what was wrong with that picture. But he did not go to ground, and I've always regretted that.

Q: Was the Philippine government or the Marcos regime sort of sayinget these people out of here and all that?

ARNOLD: They were not shouting that, and the media were not really pressing that there. No, I think it was understood that this was a kind of de minimis problem.

Q: Eventually we used Guam as a central point.

ARNOLD: But for me very unsatisfactory, that series of episodes.

Q: What about internally within the Philippines at that time? Were we concerned about a Communist or a Muslim insurgency? What was happening?

ARNOLD: Concerned about it. You know, the Moro National Liberation Front, which is down on the Sulu Strait, was a long way from Manila, an active, small movement at that time, and we were following very similar patterns for keeping our distance from it, to the patterns that I had witnessed in Sri Lanka respecting the Tamils. We wanted no contact with those people, and we gave assistance to outlying regions all over that country, to poor farmers and urban dwellers and so on and so forth, but we never gave any to the people in that Muslim community down there around Zamboanga and the Sulu Strait. I knew at the time it was a mistake and tried to fix it when I was in charge for a brief period. What happened was the AID mission asked me if we should do some food assistance down there, and I said I don't know why not. Those people are Filipinos as I defined Filipino. And sooner or later, if we don't provide some help to them, some regime's going to pay for it, so I went ahead and agreed. But the moment Sullivan and Purnell came back, Marcos complained, and they overturned it and backed us off.

Q: What was the thought process?

ARNOLD: The thought process was we don't get involved in a Philippine insurgency in that fashion, and of course this is a no-win strategy in the long run. Those people identify you with the enemy, and you become the enemy, and you end up paying for it along with the people who perhaps are more deserving of having to pay for it, like the Filipino regimes which consistently ignored any need for efforts to bring those people into the system. And they're not paying attention still, as we've seen very recently. They haven't made an inch of headway with those people. Quite the contrary, they've lost ground.

Q: You know, our people were fighting the Moros during the turn othe century.

ARNOLD: Exactly so. They're a tough crowd. They are highly independent, and they're not the only independent little cluster in that country. But, you know, this is a tough assignment, but they cannot effectively be excluded unless you're prepared to cut the land off, turn it into another country, ignore them, and let them do their own thing.

Q: Was it hard for the Embassy to get beyond the great land-owninfamilies who kind of ran the country?

ARNOLD: We had a big enough embassy so that we probably penetrated most layers of Philippine society pretty well, and I mean academic and political, economic, cultural. But when you really look closely at it, these are all faces of the same fairly broad cluster of people, and the crowd that gets left out is that crowd that typically is on the ground out in the countryside.

Q: You were there during the Watergate period. How did that play ithe Philippines?

ARNOLD: Sometimes, not as a big deal. They had a bigger deal on the ground in the Philippines, you know. There were far more heinous crimes committed by political leadership in Manila than anything that Nixon ever contrived. They didn't understand what we were all stirred up about.

Q: What the hell's this, a little political spying on your opponent- big deal.

ARNOLD: Hey, we do that all the time, the Filipinos would say - ana lot more successfully, by the way.

Q: '76 whither?

ARNOLD: '76 whither? Back to Washington.

Q: What job did you get?

ARNOLD: I became a Senior Inspector for the Office of the InspectoGeneral.

Q: You did this from '76 to when?

ARNOLD: To '78 from the very beginning of '76. I came back in January, and I was on my way on my first inspection within a month or so of that.

Q: How did the inspection system work at that time? It changearound.

ARNOLD: We were doing, I thought, a remarkable thing, and I loved it from the point of view of a senior officer. I was then at 01 at the top of my economic profession certainly.

Q: 01 is equivalent to minister counselor, I guess.

ARNOLD: Yes, it is now, minister counselor, two-star or whatever you use as your index. But we were carrying out what we then called Conduct-of-Relations Inspections, and a conduct-of-relations inspection meant that we sent a team into each country where we had an embassy. We looked at the policy, at the support from Washington, at the intervention of people in Washington, at the ambassador, at the ambassador's staff, at their resources, at their relationships, at the country problems. We looked at it all. As an illustration of this, I had a team of nine inspectors. When we went in, we started at Khartoum, and five months later we came out Capetown. We didn't look at all of the countries along the route, but we looked at The Sudan, at Ethiopia, at Somalia, at Malawi. We had a good time at Tanzania and then off at what became the Malagasy Republic, a little island out in the middle of nowhere - what is that called?

Q: Sako.

ARNOLD: Mauritius. So we did all of those systematically, and I had a marvelous time doing it. Kenya was on our route. Uganda was not because we were excluded from there. We looked at everything including the security of the mission and the resources they had spent on each feature of it.

Q: What about the role of sort of looking at the internal relations, one of the things inspectors used to do quite a bit? They were in a way looked forward to by people as a time to sit down and talk to somebody outside, talk about their problems.

ARNOLD: That was one of the beauties of the conduct-of-relations concept. It gave us the opportunity to stand alongside policy process and look at what Washington expected and thought was going on as well as what the post expected and felt was going on, and get a perspective on every aspect of our relationship. I got knocked over the head a couple of times for criticizing our then Secretary of State for some of his interventions in Africa, and what I was told was the Secretary could intervene anywhere he liked.

Q: Was it Larry Eagleburger who told you?

ARNOLD: You can't criticize a Secretary of State for what he does with his ambassadors. But, Larry, they're not his ambassadors; they're the President's ambassadors.

Q: As you were doing this during the '76 and '78 period, did you find any really great problems, ones that sort of stand out in your mind, relationships or poorly run embassies or real problems?

ARNOLD: I found some very interesting situations too. One of the most satisfying elements of it was that we really did get into an embassy wherever we went. There was never any hostility. You're perfectly right. We were there to listen and learn and ultimately to be helpful, and I think that was understood. And they turned themselves inside out for us sometimes, at Khartoum for example. Khartoum at that stage was not one of the most pleasant places in the world to live, and it probably still isn't. The Embassy was on one side of the river, on the Khartoum side, and the place they gave us to stay was actually a fairly new house on the Omdurman side of the river. But they took very good care of us. They introduced us to the leadership of the country. The Ambassador took me to make a personal call on the Prime Minister, that was then Nimiery, and there was an effort to give us a good demonstration of what the relationships were and what the problems were and who was important and who was not. My various inspectors all got that in depth in their own particular areas of activity, and I had an excellent team of people with me doing this job. No easy way to pre-select a team like that. The Department has to do it.

Q: When you came out, were you able to untangle any, oh, problems opersonality conflict, sexual harassment, alcoholism, you name it?

ARNOLD: I had one problem of alcoholism with an ambassador. I had one problem of sexual harassment with an ambassador. My attack was to take them on as strongly as I could and see if I could make any headway at all in getting through here.

Q: You're pointing to your forehead.

ARNOLD: And getting appreciation of just what the consequences were of that kind of behavior and that abrasive set of relationships. But I found some very neat situations as well, for example, inspecting in Cotonou in Benin. We had a little mission there - it was not quite an embassy; we didn't have an ambassador; we had a chargï¿½ - we had an officer in charge, let's put it that way - and very negative, sometimes even hostile, relationships with the leadership of that country. But what I found was that the most cohesive team anywhere in West Africa was in that little place. Those people were supporting each other and holding their mission together by their own will. I began to look at that as a factor in morale in various posts, and I found that the harder the living was, typically the better was the morale. I found that in Asmara, now the capital of Eritrea. We had two things going down there at the time. We had the Asmara Consulate General, and we had the Kagnew station, which was part of Mystic Star, that Presidential communication system. Those people were under dawn-to-dusk curfew day in and day out.

Asmara was a neat little side trip: I found our Ambassador, Art Hummel, had been in Addis Ababa for more than a year and he hadn't visited Asmara. I said, "Art, I need to go there. I'm a senior inspector, and I have to say that I have seen everything we've got in this country." And he said, "Well, it's not particularly safe down there." I said, "If it's not safe for them, then I have to go, because I need to know what they're facing down there." Well, he got himself organized and got his attachï¿½ plane and took us down there, and we stayed two nights and two days. We spent one night watching old movies with the embassy staff and one night playing poker with the Kagnew Station staff. We got a fairly good appreciation of just how morale was, and that's where I did my morale testing. Not too many weeks before we got down there, the Eritrean Liberation Force, the ELF, had tried to take out the Consulate by firing a rifle grenade at the bedroom of the Consul General's wing of the building. The only thing that kept the grenade from going right above their heads through the bedroom was the flagpole. It hit the flagpole and cut it off right there.

Q: Oh boy. You mentioned Benin, and I'm not sure if it's the place or the time, but somebody in one of my interviews was saying that one of the most disgusting things he ran across was somebody who was maybe a deputy assistant secretary for African affairs called in and read the riot act and jumped all over the ambassador from one of these very small countries for human rights and all, and was just vicious, whereas we didn't do that with the Russians, the Soviets or others. It was just having somebody small you could kick around, and that may have been at that time.

ARNOLD: Well, what I felt were the interventions of the Secretary tended to be of that sort, but they were domestic politics driven and had little relevance to what was going on in that country.

Q: I really told them, or something like that.

ARNOLD: What he did was give the ambassadors marching orders on that issue, and he could drop it then and go off and do whatever else was on his mind. A fair amount of that obviously happens from time to time. We had pretty comprehensively good people serving in all of these places.

Q: The good people end up often in more difficult posts.

ARNOLD: Oh, yes, and they take them with a good deal of equanimity. In my African inspection experience, my teams looked at 16 countries, sub-Sahara countries, so we had a real appreciation of the eastern side and the western side, and we took a few chances. We flew a small airplane down into the Ogaden west of Somalia.

Q:  In the heart of Africa.

ARNOLD:  Because we wanted to see a United Nations Relief camp down there that the US was involved in, at least was one of the supporting parties.  An AID Lockheed twin-engine airplane took us down there.  We almost crashed because we started losing fuel, and we were over a very barren, remote piece of Ethiopia at that time.  Our pilot was a real cool character, probably had been in such fixes before. We consulted within our team, three of us plus the pilot, and agreed our best bet was to keep flying toward Addis.  Anyway, he headed us back toward Addis Ababa, and one of our engines quit right over the airfield.  The airport managers cleared the field, and we went straight in on one engine.  (End of tape)Q:  You were talking about your second African inspection.

ARNOLD:  As I was saying, we decided we wanted to see what the interior was like when we started our inspection of West African countries.  We went into the Chad - that was in the hands of Bill Bradford at that stage - and he took me to see leadership one on one, ear to ear.  It was a little out-of-the-way place where there was hardly anything going on with consulates, because there was not much travel. Appearances are sometimes deceiving though.  In fact, not too long after that, the Ambassador's wife got on an airplane that blew up on its way to Paris.  You remember that?

Q:  Oh, yes.  I knew them from Athens, a very nice lady.

ARNOLD:  What we asked Bill to set up for us was an overland trip from N'Djamena to Kaduna in Nigeria.  That means we went overland all the way across the diminishing Lake Chad, across the northern Cameroon region and into the town of Madugri in northeastern Nigeria, and then on to Kaduna.  By this means we got an enormous impression of central Africa that there's not really any other way to get.

Q:  With particularly this inspection trip, were you able with your team to sort of convey to the African Bureau an overall picture, because they kind of look at things politically and you really had an overall feeling?  Were you able to get together?

ARNOLD: We were able to do that two different ways: One, we wrote very comprehensive reports on our conclusions. What we were not necessarily prepared to put into the written report, we would sit down and do an interview with the assistant secretary or the deputy with M group, and one of my regular debriefing sessions was with Clayton McManaway, who was the Deputy in M so that they got an economic picture or an economic/financial/operational picture of what was happening. We had a very good reception back here. I could call on, for example, the head of NSA, who was then Bobby Inman, and say, "I'm going off to such-and-such a country where I know that you have some stuff. Could we talk before I leave?" And he would give me a personal briefing. Then I would come back and say, "I'm back. I'd like to tell you what's going on there from my point of view," and he would receive me and I would do that. There was a lot of that, and whether that works as well now, I think, would depend entirely on the individual and his own confidence, or hers, in what's going on.

Q: I gather that sort of a new inspection system was put in that all inspector generals come out of. They're no longer members of, in our case, the Foreign Service.

ARNOLD: So they're not peers.

Q: They're not peers. They end up being considered more likadversaries.

ARNOLD: That's unfortunate.

Q: There's a very large group of auditors and, of course, really the Foreign Service doesn't have that much money to play with, so they end up with too many auditors looking for too small problems.

ARNOLD: Well, I'm afraid they let the nitpickers and the Congress tell them what to look for, and that is not what to look for in a diplomatic mission at all. That's why I really regretted the demise of the conduct-of-relations inspection, because that's why we're there, that's what we're about, and that's what we have to be looking at. Let somebody count the money back here and figure out whether or not we're spending our budget wisely, but don't make that the inspection mission in the field.

Q: I had a little book on the history of the Consular Service, and they were called consuls general at large and they had six of them - and this came out in 1906 or so - and the inspectors, their idea was going around and really taking a look at some of these places which had never been visited by anyone and people were left there to languish for years, but to act as sort of almost roving psychiatrists pulling out problems, a very positive report. Oh, they did discover the usual: somebody arrived at a place in Latin America and they found the consul was drunk in the street. But I think we've gotten into the bureaucratic 'let's find somebody guilty'.

ARNOLD: Yes, and that doesn't work. First of all, it doesn't teach you anything. But the other approach taught us a lot. I think that all of my teams profited enormously from being exposed. We did Africa, we did Latin America, we did Japan, and then we did the United Kingdom. My inspection teams had a good view of this diplomatic world by the time we were done with that.

Q: Did you find, particularly in the United Kingdom, a top-heavembassy there?

ARNOLD: Fairly so and fairly traditionally configured, meaning configured to meet a long-established set of visible relationships; the same in Dublin. The more interesting places, I found, were Edinburgh and Belfast in that system, Belfast because Belfast was and remained for a long, long time, and probably still is, a city under siege. The most scary feature of it was a 40-foot chain link fence surrounding areas, because apparently most people can't throw a hand grenade that high. And Edinburgh just because it was so isolated from the mainstream of diplomatic relations with Britain. It was a fairly tough assignment, I found, morale not too good either.

Q: I've talked to people who have served there, and the normal idea would be, gee, this would be a great place to be - get out there and dance the highland fling...

ARNOLD: And then what do you do for a living? What is the work? The severe deficiency was there was virtually nothing professionally of interest to do there.

Q: Where did you go in '78?

ARNOLD: In '78 we went to Sao Paulo.

Q: I think this might be a good place to stop, because we want tspend some time on Sao Paulo.

ARNOLD: Yes, we do. It was a fascinating experience, fascinatintime.

Q: It's a very important post. It's really equivalent to an embassy.

ARNOLD: It drove me sufficiently, I must say, and it was bigger thamost embassies I had inspected in Africa.

Q: We'll pick it up when you go to Sao Paulo from '78 to when?

ARNOLD: '78 to '80.

Q: Good, we'll pick it up then.

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This is January 10, 2001. Terry, we're in Sao Paulo, 1978. How did you get the job? It's the equivalent to an embassy. I mean it's considered sort of like Hong Kong and a few other places that are sort or really major. How did you get the job?

ARNOLD: I got the job for two reasons. One, it was timely for me to undertake something like that. I was just emerging from the Office of the Inspector General as a senior inspector. I had looked at 24 different posts at that point including some of the biggest, and among them Brazil. I had worked for Ambassador Robert Sayre, who was then the Inspector General, and had done all of my inspection work for him, and he was pleased with my work. So when I came up for assignment, he was about to go to Brazil as Ambassador, and he asked me to be his CG in Sao Paulo. That's how it worked.

Q: I can't remember. Had you served in Brazil before?

ARNOLD: No, I hadn't served anywhere in Latin America before.

Q: What was the situation vis-a-vis the United States with Brazil iparticular, and then we'll come down to Sao Paulo, in 1978?

ARNOLD: It was kind of friendly, arm's length situation. We were not having any problems in Brazil, but as an illustration of an arm's length situation, there had been an historic close relationship between the National War College in the United States and the Escola Superior in Brazil, but they weren't talking to each other at that stage. Our military people were tolerated but not embraced, as it were. I had no difficulty as Consul General getting around to see anybody I wanted to see, including the military people. But Brazil was still emerging from a period of autocratic and repressive rule, and changes were coming but they were not quite finished yet.

Q: Who was the President at the time, Kubichek? Well now, he was aelected President?

ARNOLD: He was an elected president but still part of an old regime. The role of the military was still very strong. I would say the three most powerful people in Sao Paulo in the overall political environment I was associated with at that time were the Governor of the State of Sao Paulo, who was a conservative ally of the presidency, a Palestinian really a Lebanese by the name of Paulo Malouf. And the second most powerful person there - and maybe the first, I don't know, I never had it put to a test in any way - was the Commander of the 2nd Army. The third was Cardinal Paulo Evarista Arns of the Catholic Church. I have to say those were the three poles, I think, in that region at the time.

Q: When you went out there, before you went when you were getting briefing and all - you had been an inspection service, you had those files to play with too - what did you figure was going to be your major task?

ARNOLD: I thought working with the American business community was going to be a major task. Dealing with immigration requests was going to be a fairly large job. But I would say the leading task was going to be understanding their economy and supporting the American business community there, which was quite large. Sao Paulo, of course, is, if not larger, then equal in size to Mexico City, which puts them as the two largest cities in Latin America.

Q: Before we get to some of the issues, how was the Consul General'staff composed?

ARNOLD: We were in an interesting situation. My predecessor there, Fred Chapin, was on the verge of leaving when his consulate general caught fire and was virtually destroyed, so that what he left to me as a legacy was the task of putting our operating system back together again. I had a good staff, but I hardly had quarters for them to live in until we got sorted out down there. So that was my first assignment. I had a good team consisting of a tandem couple, Dale, my Labor Officer and Deputy, and Marilyn Povenmyer, Marilyn was a long-time consular officer and, as I mentioned earlier, went on to be consul general in London later on; an excellent administrator officer, Peggy Blackford, who became an ambassador in a west African country and has just retired from the Foreign Service.

Q: Where does she live now?

ARNOLD: In New York City.

Q: Yes, I like her.

ARNOLD: I have an address for her, if I can be of some help on that, because we just exchanged messages, as we do, during the holidays. Then we had a segment of CIA, USIA, DEA, and a visiting military establishment. We had a basic embassy shape of organization.

Q: How was life in Sao Paulo? You think of Mexico City and the pollution there, an industrial city. Did you have the same problem in Sao Paulo?

ARNOLD: Probably more. Sao Paulo - I don't know whether you know the landscape there - but Sao Paulo is on a plateau at about the 2,000-foot level. It has two small rivers running through it, both of them at that time thoroughly polluted. One of the things that caused the city to grow was the discovery that those two rivers that flowed through there went off in some odd direction toward the interior of the state of Sao Paulo. However, engineers decided that if they lifted the water a couple of hundred feet they could drop it 2,000 feet down the slope to Santos on the coast, and they could generate electric power at three or four different stages on the way, so they electrified the region by that means. That was the beginning of industrial Sao Paulo, really of industrial Brazil.

Q: That's clean.

ARNOLD: Clean electric power, and once they got it started - you know, it's a little bit like perpetual motion - it cost them comparatively little to pump the water up that small grade and drop it down the slope. So they had a self-sustaining operating system, a marvelous plant going back before the '20s. In fact, at the bottom of that system, if you want to go, there's a little museum, and if you go through the visitors book, you'll find that one of the early visitors was a gentleman named Rudyard Kipling. But what was the nature of the city? It's a sprawling compendium of maybe 32 or 33 different municipalities all of which just grew together at the margins. It has the disorder that's associated with that kind of a growth pattern. It has industry all over the place. It has some fairly sizable slum areas - the Brazilian term is favella. Going from my office in downtown Sao Paulo to the suburban area we lived in was right through one of the larger favellas. That's just an accidental kind of pattern of development that existed then. The Governor of Sao Paulo was a very important political figure for the whole system, and the Paulistas are very proud of their accomplishments. Sao Paulo drives the train, as the Paulistas put it, and the Cariocas of Rio and such places are passengers.

Q: As often happens, one picks up a certain amount of "localitis." When I was Consul General in Naples I got mad as hell at our Embassy for always looking down on people in the Mezzogirono, and these attitudes sort of get picked up.

ARNOLD: It's a different situation for Sao Paulo because, you know, Brasilia has nothing but government, and Sao Paulo is the central hub of the economic system for that country, so that Brasilia, U.S. Embassy Brasilia, had to look to my team to keep it current on all kinds of key developments with respect to the economy, and several with respect to political developments in their country - just because so much of the enterprise and so much of the energy of that system is concentrated in that region.

Q: Let's talk about the economy. Brazil for so long has tried to be - there's a Portuguese name for it - self-sufficient. In other words, they're going to build their own automobiles, have their own things, their own computer systems and all. This is rather than import it from somewhere else. At least that's my understanding. Were you up against that or trying to get our products into Brazil?

ARNOLD: Our business community was well into Brazil. We had American banks down there. We had General Motors down there, and so on and so forth. We had a very large American Chamber as a matter of fact, still do, and one of my ceremonial responsibilities was to be the honorary president of the Chamber, and I took that quite seriously because it was good to meet with and work with those people. It was a very large Chamber, a very diverse American presence in the economy, and not merely in and around Sao Paulo but sprawled across the region. A hundred miles or more away there was significant American presence. The Saturn automobile of General Motors was being built in a place called Sao Jose Dos Campos. The airplane that became the standard of many of the commuter airlines in the United States, the Banderante, was built by a company in Sao Jose Dos Campos, a Brazilian company, and that company is now building a twin-engine jet that's becoming the standard for American commuter carriers. All that was going on, a very dynamic place, societally interesting. If you go into a restaurant in Sao Paulo at lunchtime and look around the room, you wouldn't know you are anywhere other than New York. Looking at the faces, you would see that kind of cross-cultural mix, European, African American, South American, American, Japanese. You would see everything that you would see in a restaurant in New York, a large one, and you wouldn't be able to tell just by looking where you were. But when people started to talk, of course, you had a better picture of it.

Q: Were there any particular issues on the economic side that yogot involved in, American business or investment or that kind of thing?

ARNOLD: Civil aviation was always an issue in most other countries, probably more of an issue then than now because the industry has grown up, remarkably in the past 20-some years. It was going through these teething problems all through my Foreign Service career starting with Egypt where we were there when the jets were first introduced. But Varig and the Latin American air carriers, Brazilian especially, were becoming very aggressive. They were buying new-generation aircraft. They were growing rapidly. They were competing effectively with PanAm etcetera, so that was one area of issues. Trade matters were important generally, but there was a very brisk trade back and forth. The oil industry was growing in that region; therefore, the Brazilians were beginning to assert themselves as players in the international energy game. It was a widespread variety of issues that we faced there, not the narrower spectrum that we would have in simpler situations.

Q: Was there any anti-Americanism?

ARNOLD: You mean of the avid sort?

Q: Yes.

ARNOLD: No, not really. My experience with anti-American protests go all the way back to Egypt, of course, where we had a very hard time in my first tour, or in Manila where, yes, there was considerable anti-American sentiment but directly against the U.S. government for being so closely allied with Ferdinand Marcos. We didn't have that kind of situation in Brazil, and we were there in a time when American power was being challenged by the peculiar situation in Iran. I was down there during the Hostage Crisis, and in fact I got interviewed a number of times in Brazilian radio stations about that. We were in some difficulty, and that's a better time for us abroad when the United States is having trouble than other circumstances.

Q: How did the Hostage Crisis play in Brazil?

ARNOLD: There was not an awful lot of interest in it, more just something that probably quite properly should have happened to the United States for the way it behaves with foreign countries - you know, getting a little come-uppance. But not a very strong theme in Brazilian society. After all, one of the most popular television series was CHIPS, the California Highway Patrol, CHIPS translated into Portuguese. That plays in an interesting fashion in Portuguese. But the American TV series and soaps and things like that were daily fare.

Q: In a really advanced society such as Brazil had, was there much in the way of people going to the United States and getting advanced degrees and coming back?

ARNOLD: Oh, quite a bit of that, but they also went to other places as well. They didn't go much to Portugal, but they did go to the United States a lot. They were very into active relationships between companies in Brazil and up here, and there was a clear process of integration in management. You would have, say, a Brazilian number one and a U.S. number two in a firm down there. You had conceivably the reverse of that up here in an organization like Kellogg, for instance. In General Motors the number one in Brazil became a senior vice president in General Motors in the U.S. There's a highly interactive exchange of key personnel. People came here for the kinds of academic training you can get here. We're still among the best in that regard however we chew on ourselves.

Q: What was the political situation there? Were we watching this?

ARNOLD: Moving slowly but surely toward greater openness, and you could see that, among other things, in the decline in the role of the 2nd Army. As the situation opened politically and stabilized, the role of the 2nd Army receded even while I was there. That doesn't mean that the 2nd Army had no federal clout; it had considerable federal clout, because that zone - I don't know whether you can picture the geography, but that zone runs all the way over to Bolivia and to Paraguay and Uruguay - that region politically is very important, administratively very important, and therefore that command was important, but politically receding from the scope, not the enforcer that it once had been.

Q: Did you get any feel for sort of the military fall. Were the ranking officers sort of concerned about democratic forces or sort of unruly and that sort of thing?

ARNOLD: Do you mean did they miss the good old days?

Q: Yes.

ARNOLD: That wasn't readily apparent. I had later exposure to that in a degree that would reinforce me on that judgment at two different levels. One is when I came back here in '80, of course, I went straight into the National War College as Vice Commandant. During that term, knowing full well that there had been an ongoing standoff between the National War College and the Escola Superior, I took a team back to the Escola Superior and restored that connection. At the end of my first year of training for the troops with one of the overseas tour groups for Latin America, we set it up with the embassy so that what we were going to do was restore the relationship, and it worked quite well. They were ready for it, in short.

Q: You were over there in the Carter period. Carter was taking a different course than sort of the normal American one and sort of changed things around so human rights is high on the scale. Was this at all a problem for you?

ARNOLD: An interest and a concern for me but not a problem, because the trend in Brazilian society was the way it was. I spent time, more time, with the Cardinal than with the Commandant of the 2nd Army, and I spent time with the Cardinal because he was my ear to the ground on what were human rights conditions. I found it was moving in the right direction even though, you know, it takes a while to turn people around. You almost need a new generation of military officers to get rid of one that had been so deeply into repressive behavior. But that was coming, and it seems to have come a long way since then too. But we were in the Carter Administration, and that was of great concern to our business community. They looked to me immediately to interpret what was going on up here. They were concerned about the way U.S. policy would play in a society like Brazil. Thanks to that American business community, I started a tradition there for the American Chamber. They invited me to make a Thanksgiving speech the first year we were there, and that was within a month or so of our arrival, and I made a presentation to them. I had been there long enough and had visited among them enough to know how concerned they were about what was going on here. So I told them something that they were pleased to hear but merely unaware of. I said, "For whatever it's worth to you, there's a very deep conservatizing tendency in American society right now and we are moving in that direction as a society. I don't know how you will see that manifest, but take it as a given that that's a fact of life." And they were very pleased about that. They still do that annual Thanksgiving address for the Consul General. I should ask Melissa Wells about it and see if she's done that. But the proof of the pudding on that was, of course, a strong Reagan victory.

Q: What were the concerns of the business community in the CarteAdministration?

ARNOLD: That the Carter Administration policies on such things as human rights would interfere with receptivity to our business activity in that country. And there was some illogic in their concern, but, you know, we had a very well established business community in Brazil. They had been there many years, and the interrelationships between the North American and South American business people, not merely Brazilians but from all over the region, those relationships were well established. That was not as easy, therefore, to disturb as some business people might have expected. But I was always present in the American Chamber monthly meetings, and I never took a lot of punishment for anything. I was often asked for views on various things, but I didn't get knocked around the way I had, for example, in Manila as Economic Commercial Counselor.

Q: The Carter Administration with human rights, you might say he set a slightly higher moral tone in our policy which included - maybe in started before then - of not making it a prosecutable offense to pay illicit fees, in other words, to submit to corruption and all that.

ARNOLD: That all really happened before the Carter Administration, although the passage of the legislation on it I can't place exactly in that picture, but that concern in American policy gave me troubles in Manila, a lot of troubles in Manila.

Q: But it had already worked its way through. Was corruption problem particularly for American business in Brazil?

ARNOLD: Not as big a problem as I saw in the Philippines. Very difficult situation there because of - well, part of it was due to the narrowness of the political pyramid at the top in Manila versus the very sprawling operational policy and management environment in Brazil. Things are scattered over an enormous territory, and regional managers had power. They had a great deal of power. Governors had power. It's just a different situation.

Q: How about the environment? The Amazon was out of your territory,or was it?

ARNOLD: It was out of my territory. The western region over toward the Bolivia was part of my territory. Rio Grande de Sul was out of my territory. My consular district ran all the way over to Paraguay and Bolivia, so I had an interesting landscape.

Q: Did you concern yourself with environmental affairs, or was thathe Embassy more?

ARNOLD: We had to take an interest in it and be concerned about it. We were in the pollution capital of Brazil, you know, and there was not an awful lot being done one way or the other. We were interested in what was going to happen on the Parana River when the Itaipu Dam was built, to what degree that was going to have environmental consequences, and we spent some time on that. We were interested in cleaning up the big atmospheric pollution industries, making slower progress than here, I would say, and, let's face it, some of our companies were more comfortable in Brazil than they were here just because it was environmentally easier for them.

Q: How about USIS? How much of a reach did it have in itoperations?

ARNOLD: Well, I had a very good team in Sao Paulo, and they had a good program approach for the region. They could get excellent access for our visitors to leadership, leadership cultural and leadership political. We were always able to get excellent audiences for people who came down like John Kenneth Galbraith, for groups who came down like the National Symphony when Rostropovich was the conductor. Thematically they could cover the whole waterfront, easy placement of materials when they needed them. An interesting little episode: On one occasion I was invited to do a July 4th address to the Rotary Club of Sao Paulo, and that was a national kind of old-boy network kind of club, old-boy Paulista, not foreigners particularly. There was one North American who was admitted as a member, the Consul General. My Portuguese was good enough at that stage where I was going to address them in Portuguese, and I did that for a very good reason. It was the most unruly group of people I had ever participated with. I mean it was virtually impossible to get their attention, any speaker. There was a constant hubbub of people talking to each other during presentations. So I was introduced, got up, greeted the audience, and then started to speak in Portuguese. That had a most remarkable effect. the only time in my two-year-plus experience with that club that I had that audience, or anybody had had that audience. They all paused and listened. But this is very much like our side of the society. The old-boy nets are strong, they're well established, they are traditional, and you have that mix of European and Latin types. You have a very strong Japanese element in Brazil in society and especially in Paulista society. One of the neat experiences I had was touring Senator Dan Inouye of Hawaii around Sao Paulo and taking him to meet his counterpart Inouye in the Agricultural Association of Brazil. The Japanese run this very strong agricultural cooperative movement, and Jervazio Inouye was the president of that. So I got them together, and they shared something very much in common. Neither one of them spoke Japanese, so their common language was English.

Q: Were there any Presidential or Vice Presidential visits while yowere there?

ARNOLD: No, I don't think so, certainly not that I recall. Therwas a Papal visit.

Q: How did you see the role of the Church at that time?

ARNOLD: Well, the Church was changing, but it was still enormously influential. When I gave you the polarities of the political landscape, that's why I put Cardinal Paulo Evarista Arms in that loop, because he was a very strong advocate for human rights. He, therefore, was very compatible with the basic policies pursued by the Carter Administration. But his concerns were mainly local, and he had an enormous constituency at the very bottom of the human condition. He was an intellectual person. He was compassionate, but he was sharp, and he and I could spend an hour together in conversation and never touch the same subject twice. We could do that in either English or Portuguese, which was great fun for me. When I took the National War College class down to restore relations with the Escola Superior, I got a little sample of just how that political environment still was polarized and tripartite. I had a meeting set up to pay a courtesy call on the Governor of the state and the head of the 2nd Army, and that was all fixed before we got there. But after we arrived, I found that Cardinal Arms was indeed still the clerical leader in that region, and I asked if they could set me up to call on him. Well, it came about immediately, and I went to call on Cardinal Arms, but almost immediately my appointments with the Governor and the 2nd Army commander were canceled. I think there was an absolutely clear connection among those events. Will I ever know? No.

Q: Was there a political movement in Sao Paulo in its area that was different, say, than was coming out of Rio or elsewhere?

ARNOLD: Well, there's a whole cultural difference, enormous cultural differences between the coastal region and Sao Paulo. The coastal region is not a unified thing, of course. You've got very different cultures, say, in Bahia, from Rio and that region. You have different culture in Minas Gerais state, which has always been a heavy industrial area centered in the city of Belo Horizonte, places like that. There is a much more cosmopolitan view of the world in Sao Paulo, I think, than you see in any of those other places. Even as much as Rio has been visited by, and therefore changed by tourism, I think Sao Paulo has a much more cosmopolitan climate.

Q: Were there any elections while you were there?

ARNOLD: There was a reelection of the governor in my state.

Q: Was that pretty much a done deal?

ARNOLD: Well, it was not terribly complicated. His competition didn't by any means have the same stature at that time, but this was an era in which political flavor was conservative.

Q: How were things along the Argentinean border? I understand that when both Argentina and Brazil sort of looked around, about the only designated possible, possible enemy could be the other, although it's a little hard to see what they'd fight over.

ARNOLD: Well, you know the river Plate at that point is an enormous barrier. I mean it's not a simple, narrow, little body of water. It's an enormous estuary, so the distance is, quite aside from the fact that Uruguay intervenes there, quite substantial. They all come together, Argentina and Uruguay and Brazil and Paraguay come together at Iguasu, that being the place of the great waterfall system, but that intersection is also very remote from the centers of either country.

There are traditional competitions between the two. The Brazilian economy is much more complex and more powerful than the Argentine one. Argentina in that period was still in the early stages at the very best of recovery from the atrocity and the autocratic rule that it had had for years. It was under military rule at that time.

Q: They still had, a year or two after they left, they had the wholMalvinas/Spratley Islands mess.

ARNOLD: Oh, my. I got kind of caught in that with my War College class, too. It was interesting. See, our timing was nearly perfect. We landed in Buenos Aires for the visit of the War College class. We were received by the military, and we were received by the Minister of Foreign Affairs too, and they made a speech to us in which they assured us that they had no intention to invade the Malvinas. One of the things that I did routinely as the senior visiting officer of the National War College system was to call on the military commander. So asked to call on the Army Commander, Nicholaides, who later became president, but he was then in command of the Army. He did receive me one on one, and we chatted for a while. But he received me in combat dress and ready for war. I made nothing of it specifically at the time, except that I though it was a little odd that a ceremonial visit would be conducted in that uniform. I also noted that as I was escorted out of his office a priest was waiting to go in, but I made nothing of it. In any case, my troops got on an airplane from Buenos Aires and went off to Santiago, and the next morning we learned that the invasion had occurred.

Q: Were there any events or crises that particularly stick out in your mind before we leave Sao Paulo?

ARNOLD: Well, it was not a time of great crisis down there. Things were moving basically in a constructive direction in that region. No, I had some internal crises of one sort or another within my post, but that had nothing to do with what was happening in the country.

Q: What sort of things did you have in the post?

ARNOLD: Oh, had problems with especially counselor matters. First of all, we were the largest consulate post in that area and we received a lot of requests for migration to the United States, and we began to receive a number of requests from Paraguayans for visas. That was a recent change that Paraguayans came to us, trying to leave the region from Brazil. A particular scam had become - I guess you would say the term is popular - before I got down there. A couple who couldn't have a child in the United States, or couldn't have a child period, would come down and adopt a baby, basically buy one. The couple would then come to the Consulate and say that the child had been born while they were visiting in Brazil, and they would seek to record the birth of the child as an American citizen, hoping to bring it into the United States that way rather than go through the procedures for adoption. I had an excellent consular officer on this in the person of Marilyn Povenmeyer, and she would always bring them to see me, but I would never take the decision process away from her. If they claimed the child was theirs, then the woman had to agree to undergo a postpartum examination; and if she wouldn't, then we couldn't accept this story. If she did, then the story would be proven false. But it was a constant thing, and it was because there were rings of people down there who were basically in the business of selling children for adoption.

Q: We had some of this in Korea about the same time. It's very sad,because when people are trying to do...

ARNOLD: The impulses are basically positive. Q: Of course, but still that's not the way the system was run.

ARNOLD: I could count on one of those every week myself.

Q: Was there a Brazilian community in the United States of any size,or was that a big country for exodus?

ARNOLD: It was a country for visits but, no, there's not a sizable expatriate community. Listening carefully around Washington at lunch table conversation from time to time, I would hear Brazilian Portuguese but not often. There may be more of it in Miami and places like that. Disney World was a famous place to visit.

Q: But that's visiting as opposed to getting out of the country.

ARNOLD: There has not been in a long, long time, more than a generation, any advantage in that. If you look at Brazil today, it's a very dynamic, growing economy with lots of wealth accumulating. That doesn't mean that the poor are any better off than they were when I was there. The people who migrate for convenience are not the poor.

Q: Constantly you hear not only about Rio de Janeiro but other partof Brazil, about the poor in Brazil. Was there any progress being made?

ARNOLD: You mean in improving the conditions?

Q: Yes.

ARNOLD: No, not really, and in fact I think it has gotten worse, maybe even worse now. I don't know for sure, but there were major slum areas around Sao Paulo. There were major slum areas around Rio, especially up the slopes and the least popular and accessible areas around that city. That is still the case, and it's also the case around Caracas, where I saw equally unhealthy, impoverished conditions on the slopes on the road in from the airport to that city. I suspect that those conditions have festered, and not a great deal of effort has been made to fix them because the economy hasn't gotten deep enough to really solve this problem by ordinary economic means, as we have somewhat unevenly solved it here.

Q: Was there the impulse with them, Brazilian society, to dsomething about it?

ARNOLD: Some Brazilians, yes. But was it a national priority? Noreally.

Q: You left there in 1980 and you came back to the National WaCollege. You did that from '80 to when?

ARNOLD: '83, mid-'83. Actually I came back around Christmastime i'80 and took over the first of the year.

Q: What did you see your role in the War College at that time?

ARNOLD: Well, you sort of had to look at the way the role had been played over the years by various number-twos. What most of my peers and yours don't necessarily know is that the War College from the beginning was a joint venture of the Pentagon and the State Department, joint founders of it. And the first Deputy Commandant in 1946 was George Kennan. I sort of subscribed to his view of what the role was. He had been a scholar in his own right and well recognized. Some of his writings at that time were writings that he was later recognized for. But he had taken, as I saw it, a role in the academic upbringing of the promising cadre of military officers you always have there. I thought that's what one should do. Not all of my peers in that job agreed with that. Some of them viewed it as a sustained vacation. Some of them viewed it as a situation in which they were just out of the loop and nobody cared. My predecessor, who shall remain nameless, had taken that view and had wasted a couple years there. I decided to turn the tables on the system and turn the international affairs component of that into a study program, and structured it so that there was a department of international studies - I was the chairman of that and I had a faculty of 12 people - to teach the international portions of the curriculum, about a third of the whole curriculum. That was accepted, established, and done on my watch. It unfortunately didn't survive very long because it depended upon an activist in that chair, and the last one I looked at was not an activist either, so was kind of flailing away his time there. I'm sorry about that, because I think it's a marvelous opportunity.

Q: You arrived with the new Reagan Administration, and this was felt by many to be a rejuvenation of the role of the military. There were some major military activities - in Lebanon and in Grenada, that I can think of, at that point.

ARNOLD: Some hard times actually, because the Marine barracks werdestroyed during my watch by terrorists.

Q: In Lebanon.

ARNOLD: I entered the Counterterrorism area after I left the War College. The War College classes did not necessarily pick up so quickly on that as an issue. I had been associated with NWC twice at that point. I'd been a student there in '70-'71, in which the initial military evaluation of the consequences of Vietnam were occurring. The examination was far more intensive and complex during my watch there in that period: a very serious examination of how and when to use U.S. military and when not to; a recognition that we had not lost the Vietnam War, we had given away the Vietnam War; we had not won the Vietnam War because we went into it without the active, willing participation of the American public; an examination of this set of issues in the whys and wherefores of military engagement, when and under what conditions were appropriate times to commit U.S. forces. Those were the issues under examination, and that's why it was such a fertile time to be in that chair. My faculty could take advantage of a mindset that was open to examination of the nonmilitary issues in international relations, and could pursue the best Clausewitzian logic, which is, of course, war is diplomacy by other means. Students could look squarely at all the other means in that situation. I think it has gotten broadly better in that respect over there with the creation of the National Defense University and, among other things, with bringing in foreign military scholars to all of the campuses. That had not happened yet when I left there, but it has since and it's well received.

Q: One of the lessons that people I've talked to in the Foreign Service who've been through the War College is a greater appreciation of the military. Particularly the generation we're still talking about, most of us had served in the military but at lower levels, so the Foreign Service was not oblivious to the military at all because they'd been part of it, but at the upper levels the feeling that, gee, these are guys like us who are wrestling with problems, the people who were picked to attend that. It was an eye opener, I think, on both sides.

ARNOLD: I think that's true.

Q: Let's talk a bit about that relationship that you were observing there, particularly with your view as having been an inspector and of your thinking. It gave you a broader view of where we were going.

ARNOLD: And just because of the nature of my own personal background, I was less caught up in the nobility of diplomacy, a great deal less caught up in that and, therefore, probably was more receptive to some of these signals that were coming at me about the military. I didn't go in with a basic disposition to dislike the military, which some of my peers later on did. They were out of place because they couldn't relate or didn't want to relate, and that kind of a problem is difficult to deal with.

Q: Were you able to do anything to prepare our people, and prepare the military too, to use this to make sure this cross-culturalization was a fertile mix?

ARNOLD: One of the things that I did that was well received: We created an elective course program for our students, and one of those electives was one that I ran called Processes of Change in which we looked at change management in different societies. Of course, applications of military pressure are a change-management tool or a change-avoidance tool. It depends on how you view it. If you're looking at the Chinese, they're using that pressure to keep things from changing, and more and more they are finding that that's a defective strategy, but that's neither here nor there. They're now deciding that Mandarin Chinese is the only language, which is going to give them kittens before they're done, but that's their problem. What we were looking at in that context is how do you deal with pressures for political change in other societies, at what level is it sensible for Americans to engage those processes, at what level is it probably not sensible. In that dialogue you get into discussions of the uses or not of U.S. military forces in overseas situations. Some of the people who were on the faculty are still on the faculty of that War College. One of them is a department head in NDU and is running the international affairs program. That's a former Colonel Alan Gropman, who was one of my brighter faculty lights back on this days. I can think of at least two others who are still there, one a terrorism specialist by the name of Bard O'Neill. They cottoned onto this scheme of mine for really seriously constructing and running an international studies program, and it was like ducks to water in the way they pursued it in their areas of teaching. We had both one-third of the formal curriculum at the institute plus a number of electives that we were able to teach in addition to that. The electives were all taught after hours, and mostly they were well attended.

Q: Were you feeling any of the thought process that is coming out of Secretary of Defense Weinberger and others of basically saying we're not going to commit our troops unless we're going to win and win quickly without tragedies? It was something that was beginning to develop but in a sense was saying we want to build up this magnificent military instrument but we don't want to use it.

ARNOLD: Don't want to ever use it because you don't want to put it to risk, because if you put it to risk, it's going to get hurt. Sure. There was a recognition of the fundamental nonstarter nature of that logic, but this was a playing out on a different level of the basic Vietnam issue, which is when it is appropriate to go to war and when it's not. Behind the Weinberger thesis, and the idea was actually better articulated in the War College was the thesis you don't go to war unless you know the public is with you. You don't go out there hanging out in an unpopular engagement, because you're not going to get the support you need, you're not going to have the command flexibility that you require in order to be effective, you're not going to be able to manage your situation successfully, so don't do it. And I would subscribe to that. It's differently stated from what Weinberger was saying, but it's a correct appreciation of the art of the possible.

Q: Also, it allows you a little more room to do maybe the quick andirty but not the long-term things.

ARNOLD: You can do the strike force thing, but here the thing that dominates is the training and preparation of the individuals who are members of the strike force. They know they're prepared for these off-the-wall cases. They know they're prepared for situations in which they're going to be hanging out there on their own and in which it may well be a covert operation. So their mentality is what drives that train, and by and large whether or not the public is supportive doesn't enter the picture. The engagements are short, and they don't carry with them the chain of circumstances that caused the tremendous decay in military morale during the Vietnam episode. This is an in-out thing, and you know you're going to get some people hurt more than likely - say, for example, the possibility of a raid to take out the terrorists who took out the USS Cole. We're talking about a bombing of a destroyer in Yemen. That kind of a case is different, and we continue to train forces to do that. We train SEAL Team 6, we train Delta, we train teams for SWAT uses inside the United States. Those are alongside all this old debate about the nature of war and the nature of public approval for a warlike act.

Q: I assume that at this time - we're talking '80 to '83 - that the Soviet Union was the basic focus, China being the second focus, as being the potential enemy.

ARNOLD: Yes, more or less correct. The Soviet Union was still perceived as a major power with tremendous resources, capability, and a basically confrontational posture globally. The Chinese less so, but the Chinese even then had enough nuclear weapons to be dangerous to us when you take it as a given that 100 nuclear weapons would do enormous damage to our society, and they had at least twice that many, so they were a matter of concern but militarily they were not well organized.

Q: Was the situation along basically the German front - it covered a little more than that - between NATO and the Warsaw Pact - it had been in place for so long - something that was a conceivable battleground?

ARNOLD: Oh, I think you played your war games around the Russians coming through the Fulda Gap - certainly you did that - and you looked at ways you would fend of various possible lines of incursion into the western region. I went with one of my War College classes to Europe as part of my training and spent time in Germany principally. We looked at Stuttgart, we went to USAFE Headquarters, we spent some time at Kaiserslautern and Frankfurt and places like that looking at the organizations at Ramstein and elsewhere just to get a picture of how we were postured in Western Europe. It was principally premised on and expectation that an invasion would come out of that region. That, of course, has all gone away with the recombining of the Germanies and the collapse of the Soviet Union.

Q: Did you see during your time there any, in very broad terms, discernible differences between the approach of the Naval officers who came, the Air Force officers, the Army officers and the Marine officers while you were working at it?

ARNOLD: Well, of course, you address very mission-specific stuff there, and the missions are different, remain different, and will be so, I'm sure. They're trained differently too, and the training shows in a War College kind of environment. Navy people tend to be more contained than Air Force people. It's a lifestyle thing. Your battle circumstances are always different. In the Air Force and the Navy you are hanging right out on the front ranks, and officers are in the front rank, and you're really far from help when things go down the tube. So there are attitudinal differences that have genuine roots, not just the usual kind of superficial stuff. But people who came to the War College, by and large I would say they tended to rise above that. Therewas a fair amount of banter back and forth, but most of them were trying to seriously take advantage of an opportunity to escape from the confines of their normal military situation, and a lot of them succeeded.

Q: How much support did you feel you got or did you need from thState Department while you were there?

ARNOLD: I got a lot of support from State. Joan Clark was IG, and she would come over when asked. I could sit down and chat with her when I needed to.

Q: She was Director General.

ARNOLD: Yes, the DG. Among the things that she and I did together: As I said to you earlier, the War College had been a joint venture of the State Department and the Pentagon from its foundation, but the State Department flag, the Secretary's flag, had never flown in the War College. So I made a formal petition to the War College to receive the Secretary's flag and fly it. We provided a ceremony, Joan and I, to get the flag installed over there, and it is installed in the rotunda now, but it had never been until that point in time. That I don't think was a merely personal thing with Joan Clark. I think that any of my successors over there who approached the Director General would find that a good audience, because the DG knows it has a select cut of our system and institution at any one time. It's, after all, one of the better single training experiences senior military officers have. So it's a matter of some interest to the Director General, and she took that seriously and, I think, had good working relationships with the leadership there, quite aside from being supportive of me.

Q: When you left there in '83, where did you go?

ARNOLD: Well, you see, I was following a chain of relationships here. I had been one of Bob Sayre's senior inspectors and had done 24 countries with him in that role. I had been his Consul General in Sao Paulo, and in the War College he came over to call on me one day and said, "I would like to have you come over and sort out this counterterrorism operation in the State Department." And we both had a notion, which over time proved not to be entirely sensible, that we might even make a difference in the way the organization of the Department could be advanced in that field. He had been designated to be Deputy Assistant Secretary for Security and Director of the Office of Counterterrorism under a single hat. He really wanted to make that go, and he brought me in as his deputy to work on the counterterrorism side of it. We found in fairly short order that we were not going to be able to pull that off. The institutional rigidities of diplomatic security being such as they are, we were not going to be able to fix it. However, we were able to put together a pretty serious counterterrorism operation including the initiation of overseas training for our diplomatic posts to deal with that kind of emergency - and incident management within the Department itself. And we faced the first wave of the serious incident management for the Department.

Q: What were these?

ARNOLD: Terrorism cases in the Middle East, mainly in Lebanon. I was on a trip with my War College class in April '83. Had just been designated as the DAS in that counterterrorism job, and my troops and I were flying between New Delhi and Cairo when the U.S. Embassy in Beirut was leveled. That was the beginning of my counterterrorism career. Within a week of getting into that office, we had to send an emergency response team to Sudan because of some captured missionaries there, and it got worse after that.

Q: What were the institutional problems with diplomatic security?You were mentioning that.

ARNOLD: Those institutional problems are not, by the way, without merit, without reason. First of all - and this has application to larger areas of the counterterrorism posture and I'll talk to that - diplomatic security has an ongoing day-in and day-out task of maintaining the integrity of the Department and every US diplomatic and consular facility. That includes the safety of personnel, protection of documents, data and systems, etcetera. That's a very practical situation-oriented, in many instances technology-driven kind of operation in which basically diplomatic security has to view the world as one in which crimes occur and enemies exist and dangers have to be dealt with here and now. It's a day-in and day-out, continuing preparedness to deal with threats. That's different from the broader problem of antiterrorism and counterterrorism in the sense that there are many long-run features of dealing with terrorism that go beyond dealing with cases as crimes. Are you with me? In a measure the FBI has the same basic problem that diplomatic security has. The FBI during my time there took the position - and I accepted their position and still do - that we don't need special legislation defining terrorism as a crime. All conceivable acts of terrorism are already crimes under Title 18 of the U.S. Code, so that we need to deal with them as crimes. In that respect I think diplomatic security and the FBI should get along just fine, because that means we deal with the here-and-now manifestations of this threat and your preparedness to deal with it on a continuing day-in day-out basis. That may make you a little narrowminded, but then it's that kind of problem. That's the mindset that you should expect. What is still missing from our terrorism policy is any concern for the long run. Our policy is very straightforward and it's very short. Don't make any concessions to terrorists. Catch them and confine them, or kill them if you can. Go after the states that help them, and support those states that are prepared to suppress them. That's the policy. That's all there is in it, in 1999 style. There's nothing in there about the motivations, about the social repressions, about the grievances that generate terrorist activity, and that's the State Department as a whole. So a good part of the environment of international terrorism today is left out of the national policy quite deliberately. It's too hard to do. You can't have relations with the government of Argentina and at the same time conduct covert relationships with a dissident group that's trying to bring down the government. If you do, don't expect that you're going to have a friendly reception in the halls of the government. You can do such an operation as an agency thing, and it's almost expected, I suppose, but you can't do it openly at any level of encounter in a country. Nor can you expect that you're going to have a positive reception if a host government thinks that the United States government is going to help every dissident group in a country until the host government decides it's going to do something constructive about hearing them out. That is in the not-doable department. Thus our counterterrorism policies are all short run. There is not really a long run policy approach. That gap was perceived at the time by me and by others. It's a gap still.

Q: While you're on the terrorism thing, I've talked to people who've worked both in the field - Tony Gillespie is somebody...ARNOLD: I know Tony quite well.

Q: ...when he was in Mexico as a security officer in Mexico and saying how Nixon and Kissinger would say, you know, we make no deals and all, and yet in a way a deal was how you were going to save these people.

ARNOLD: Some people tried to formulate that as we make no concessions meaning we don't negotiate, and that's not true. That's nonsense. We may avoid any substantive concessions to a terrorist group, but we will make concessions that are practically related to resolving the problem, and that's what we've always done and that's what we're going to do, I'm sure.

Q: But that's often not articulated. It sounds like we just don'talk.

ARNOLD: No, the be-all and end-all of the policy is in the line - it's up-front in every annual report - "We make no concessions to terrorist," period. But that's only the beginning of the story. We talk, we negotiate, we work through people in the host country, we make concessions of one kind or another. An example: During one event back in '82, no '84, there was an airplane on the ground at Sigonella in Sicily, and the terrorists proposed to trade hostages for fuel. We didn't have any very elaborate consultations on that. I was sitting up in the command center in the Department with two other people, and I said, "Do it." It would be a more complicated decision, I suspect, if I had called the Assistant Secretary and the Secretary and said, "This is what they want to do. What do you think?"

Q: There's always that. The higher up you take it, the more likelyou get an answer that won't work.

ARNOLD: You get an answer you don't want or don't need. Nobody ever quarreled with me for doing that. But we did establish an elaborate task force regime for events after that, and it became harder.

Q: Did you find as you were starting to get into this thing - you mentioned the FBI and all - the bigger a task force, it sound fine bringing in experts all over, but it means that you get different philosophies and different approaches, and it can lead close to gridlock?

ARNOLD: Well, I think that's a potential, but we were doing some very constructive sorting back in that period. See, we had not up to that point in time, up to the beginning of the Reagan Administration and into the middle of it, we had not faced terrorism as quite the national policy challenge that it became through the '80s. And we were designing brilliant policies and responses as we went along, and we came across some issue sets that were important. One of those was the definition of terrorism. What is terrorism? The definition that's in the books today is the definition we evolved back in that period. We needed a division of labor among government agencies. One emerged and is now pretty well locked in as national policy as to who has responsibility for what incident under what circumstances. For example, at sea it's the Coast Guard, in the air it's the FAA, on the ground inside the United States it's the FBI and so on. Overseas the lead agency responsibility is with State. That was a reasonable definition of the requirement, but it was not automatic. We had to arrive at it, and we did. We needed, and recognized it in that period, to develop a national policy posture toward states that sponsored terrorism. We didn't have that up to that point. The first step in that task was to look at cases, identify those countries, identify what they were doing, and set policy for dealing with them. I think we've continued down that path pretty well. We had not yet designated the seven countries that were and still are labeled as terrorism-sponsoring states back in that time. That came as a result of the work we did in that period, to identify those states and make them public pariahs for sponsoring terrorist activity. We knew which states were involved at that stage. We looked at Syria and Iraq and Libya and so on, Cuba, a number of the Eastern European states. We had a pretty good roster of the states that were mischievous in that field, but we did not have a national policy that explicitly, openly recognized that and tried to take them to task for it.

Q: Did you find, when you were working on a policy to expose these states, that you were getting problems, say, from the Geographic Bureau saying, well, this is just going to raise more problems - or maybe not?

ARNOLD: We had some of that back and forth, unwillingness to get into that issue because it was going to complicate life in general, sure. It took a while, therefore, to get into the practice of designating terrorism-sponsoring states, but we finally did get that. I can say candidly that the people in the Middle Eastern Bureau who had the policy concern for that region did not want to take overt public policy positions on terrorism in those countries. They didn't want to designate Syria as a terrorism-sponsoring state at a time when it was a bit of a nightmare, because it would have made it too hard to talk to those people. That's a concern.

Q: Did you have any problems with Israel? In a way it'counterterrorism is terrorism.

ARNOLD: From the early creation of the Stern and Irgun groups, Israel's aggressive military posture for achieving a national home was terrorism, to get the British to leave and to expel the Palestinians. What's going on right now is a campaign that looks like assassination of key players on the Palestinian side, and it's nothing more nor less than assassination.

Q: We've always dealt with Israel differently than we have with other states, but they have embarked on programs which certainly could be defined as being terrorist.

ARNOLD: Oh, I define it that way. Q: I would too, but...

ARNOLD: You know, the definition is not sensitive to politicamotivation particularly.

Q: Yes, but as soon as it reaches the American policy side, Israeis different for us.

ARNOLD: Israel is different for us, and the rest of the world knows that. That's one of our bigger problems in the whole Middle Eastern region.

Q: Did that come up with you all?

ARNOLD: Oh, all the time, and, you know, there were some people who recognized that clearly at the time. Roy Atherton, for example, was fighting diligently to get some recognition of the fact that there are other needs and other voices that must be heard in these matters, that you cannot just listen to the Israelis. Making progress, Brandon Grove was among those people. I can think of a dozen key players at the time who were pounding the table and saying we have got to look at and listen to the other side on this issue or we'll never get anywhere.

Q: How did that play out during your time?

ARNOLD: It's pretty hard to sell. Still is not easy to sell.

Q: There was a article in the Post saying that the Israeliacknowledged assassinations.

ARNOLD: Yes, they did, they are.

Q: And it hasn't changed a thing.

ARNOLD: It hasn't changed our public posture one whit

Q: And yet we have a very strong public stand against assassinations.

ARNOLD: So we do. The thing that bothers me most seriously about this is not our narrow-mindedness and foolhardiness in continuing down this path but the plain fact that we are willingly and publicly participating in the creation of the next generation of terrorists in the Middle East, because people will get mad and stay mad about this kind of extreme, and it doesn't matter whether it's Israelis who do it or someone else. They will remember it and they will retaliate, and we will pay.

Q: You were doing this counterterrorism from 1983 until when?

ARNOLD: Until actually '86. I went in in '83 in a formal job as DAin that area.

Q: DAS meaning Deputy Assistant Secretary.

ARNOLD: Yes, and retired in August '84, but then by request I stayed on into '85 working for Bob Oakley in that job and then became a paid consultant until '86 or so.

Q: In this were you seeing a diminishing of the role, say, of the Soviets, those training people and East Europeans becoming more homegrown?

ARNOLD: Not at that time. In fact, one of our concerns in the State-sponsored terrorism arena was the extent of support to terrorist groups in a range of countries variously around the world. The East Germans, the Czechs, the Bulgarians, the Rumanians, the Russians were all supporting terrorist groups of interest to them. And that continued right up through the collapse of the Berlin Wall and the disassembly of the Soviet Union.

Q: '89.

ARNOLD: But after that there was this long silence. All of a sudden these terrorist groups that had been getting money, documents, training, other support, safe haven, sometimes target selection suddenly found that they were on their own, and there was a quiet period while this thing sorted itself out.

Q: But during your period this apparatus of support was in fulswing?

ARNOLD: It was in full swing, and a number of us wrote about it at that time. Neil Livingstone and I did a book called Fighting Back. Claire Sterling did one called The Terrorism Network. Both of these books, by the way, were translated into Portuguese. I went down to Brazil for USIS to help promote the publication of Fighting Back. In the two works, we were looking at the way state-sponsored terrorist groups were interacting with each other, relating to each other and relying on each other. We were looking at activities around certain bases of operation within Libya that we were aware of. We were tracking characters such as Abu Nidal, Sabri Al Banna as he went from a chicken farm in Iraq to Syria and then to Libya as his base of operation. We were increasingly looking for ways to define and to deal with the problem of State sponsorship. That reached a kind of urgency with the Bel Disco attack in Germany. The Bel Disco was an attack on off-duty military personnel in a club in Germany, and our response to it was to conduct military air raids against Tripoli and Benghazi in Libya. We know from the pattern of Intel reports that were being received at the time that we got their attention. The number of potential attacks that had been showing up on our Intel screens up to the point suddenly shut down in a whole host of places. Things did begin to come back but, boy, the Libya attack got worldwide attention to the role of state-sponsored terrorism, and a whole host of countries that were playing games suddenly decided maybe they ought to stand down for a while.

Q: Were you seeing any progress on the diplomatic front, just by naming Syria and other places? Was this having an effect of making countries, the countries themselves or countries dealing with them, begin to back off? If you sort of hold everyone's nose to the mess...

ARNOLD: I don't think you can say that it had tremendous or uniform impact over time. If it had, we wouldn't still have those seven countries on our 'most wanted' list. It had some impact.

Q: What was/are the seven countries?

ARNOLD: Iraq, Syria, Libya, Sudan, Cuba, Iran, North Korea: that pretty well covers the waterfront, and that's been the waterfront for a long time. Are they all doing the same kinds of things that they were doing in the good old days? No, they're responding somewhat differently. I mean, after all, the worst case of the North Koreans was to take out a good portion of the South Korean Cabinet over in Burma.

Q: Oh, yes. One of the things that struck me, when you start dealing with some of these countries, you run across just sort of the blatant commercial interest, particularly of France, Germany, Great Britain. Sometimes they get a little bit unhappy if we call attention to what these countries are doing.

ARNOLD: That's to say nothing of American business interests who have the same reaction. Sure, you do have that problem, and that's a conflict of interest, a conflict of policy focus that we have in several places. You just have to recognize it and deal with it. It's not going to go away. It'll be there as a priority problem for us.

Q: Were you getting any pressures of people saying lay off this olay off that?

ARNOLD: I didn't get pressure in that form. You're more likely to get pressure by just not doing what you're asking people to do rather than, hey, cool it. The kind of pressure I got, with especially respect to Lebanon after the destruction of the embassy, was an example in that counterterrorism job. I was a vocal advocate of reducing the size of our diplomatic mission there - and as I recall, Reggie Bartholomew was our Ambassador at that time, and not really prepared to draw down his Embassy by taking our people out of harm's way. It was even difficult to get that done after the Marine barracks had blown away. You could get that kind of conflict within our own ranks, just differences of opinion as to what is efficacious in the way of policy.

Q: You left this in 1986. While you were there, how did you find the intelligence? Was there good cooperation within the various intelligence or information-gathering agencies on this? What did you feel about that?

ARNOLD: Well, I felt pretty good about the relationships in the community. First of all, we had a regular working group that was somewhat alongside the normal terrorism working group. For counterterrorism in general for the United States federal system, there were 26 agencies with an interest in the problem, by the way, and I chaired that working group. The intelligence working group was much smaller. It tended to meet on a case-by-case basis, and they did do a fair amount of sharing, not everything. For example, most of us were in the dark on the activities associated with the Iran Contra scandal.

Q: Were you there when it came out?

ARNOLD: I was there when it came out. I was there as a consultanat that stage.

Q: Here we were talking big about not doing anything, and yet wreally were.

ARNOLD: We did a good deal for terrorism.

Q: And ended up by sending guided missiles, attack missiles. Thiwas pretty bad.

ARNOLD: Yes, it was pretty blatant.

Q: That must have been a real discouragement, wasn't it, at the time?

ARNOLD: Well, it was a major problem because it just muddied the waters. There were all sorts of approaches we were trying with the Iranians and others to get some people released in the Middle East.

Q: You're talking about the hostages in Lebanon?

ARNOLD: Yes, and the whole Iran Contra thing was a big distraction amuch as anything.

Q: Did Ollie North or the National Security Advisor get involved iwhat you were doing?

ARNOLD: All the time. John Poindexter, Bud McFarland, the Deputy and the National Security Advisor respectively, and Ollie North: all three were constantly involved in this stuff that we did together. Ollie was, of course, the White House rep on this particular committee that I worked on. We did not have trouble at all getting our opinions heard by the National Security Advisor, no problem at all. It didn't mean they would do what we asked them to do, but getting an audience and getting our positions on the table was not an issue.

Q: In '86, you left.

ARNOLD: Well, I had retired two years earlier, or a year and a half earlier. Actually I stayed around doing emergency management training for State up until the early '90s. The former ambassador, Holsey Handyside and I were the chief trainers of DepartmenPersonnel for a significant period in emergency preparedness, and I still do that from time to time. I had a contract last year with State to do that.

Q: Well, why don't we stop at this point then?

End of interview